Budget Address

May, 1993

Rebuilding Saskatchewan Together

Rebuilding Saskatchewan Together

Honourable Ed Tchorzewski
Minister of Finance

A New Beginning

Today, we begin rebuilding Saskatchewan together.

Last October, Saskatchewan people turned from secrecy to openness, from conflict to co-operation, from inequity to fairness, from injustice to compassion.

This Government is turning a new page in our Province's history by restoring sound financial management, re-establishing open, honest, accountable government and renewing Saskatchewan's fundamental values.

This Budget is a new beginning. It has two distinct, straightforward goals: protection and restoration.

Protection so that our generation, like those before us, can safeguard all that our community has built for our children and our grandchildren. And restoration of financial freedom in the Province of Saskatchewan because without it there is no future.

Working together with the Saskatchewan community, previous New Democratic governments succeeded in establishing and enhancing the Province's financial integrity and building for the future.

The actions of those New Democratic governments were based on Saskatchewan's fundamental values of compassion, fairness and co-operation. As they succeeded in bringing our community together during the tough times to rebuild, so too will we.

Today, Saskatchewan faces a financial crisis of immense proportion. But because this New Democratic Government, under the leadership of Premier Roy Romanow, advances the work of the governments of Tommy Douglas, Woodrow Lloyd and Allan Blakeney, I know that we can and will overcome this crisis and rebuild Saskatchewan together.

"Last October, Saskatchewan people turned from secrecy to openness, from conflict to co-operation, from inequity to fairness, from injustice to compassion."

The Inherited Legacy of Debt

"Saskatchewan families did not create this massive debt. Saskatchewan's new Government did not create it. Our community has inherited a legacy that will not be forgotten and cannot be ignored."

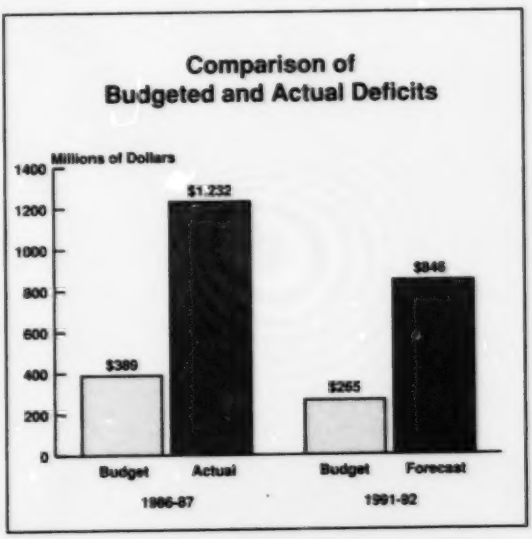
Mr. Speaker, when this Government took office only six months ago, everyone suspected the financial situation of the Province was grave. Little did anyone know the true extent of the previous administration's irresponsibility, improper decision making and reckless extravagance.

Last Spring, taxpayers were told the 1991-92 deficit would be $265 million. It was not, Mr. Speaker. In fact, after opening the books, we found it would be $852 million. Through prudent management, the Government has reduced the 1991-92 deficit to $846 million.

Mr. Speaker, deficit miscalculations were nothing new for the previous government.

In 1986, the Members opposite said the deficit would be $389 million. It was not, Mr. Speaker. It was $1.2 billion.

In 1991, the Members opposite said the deficit would be $265 million. It was not, Mr. Speaker. It was almost $600 million more than that.



It is no wonder that they arbitrarily shut down this Legislature last June to avoid public scrutiny of their Budget and their spending of tax dollars.

Scrutiny would have revealed incredible waste:

- $1,000 a night hotel bills;
- $3,000 a day consultants;
- thousands of dollars worth of free liquor for Cabinet Ministers; and,
- almost $2 million in salaries to provide political staff to the Premier's Office, hidden in other departments and Crown corporations.

Mr. Speaker, upon taking office, this Government acted quickly to restore integrity to the Province's financial processes and policies.

The Legislature was recalled to restore accountability and rebuild public trust.

The Public Accounts and a Financial Report were tabled to outline the Province's financial position.

An independent Financial Management Review Commission was established to open the books and recommend ways to improve accountability.

Legislation was introduced to end unconscionable severance packages.

And millions of dollars in wasteful spending were eliminated.

- Spending on supplies, acquisitions, advertising and travel was reduced, saving $28 million.
- The Premier's Office in Prince Albert was closed, saving $150,000 a year.
- Trade offices in Hong Kong, Zurich and Minneapolis were closed, saving nearly $2 million.

Much has been accomplished but there is still much to be done.

Restoring Accountable Government

The legacy of debt and mismanagement left by the former government extends far beyond what any of us could have imagined possible.

In February, the Financial Management Review Commission exposed the reasons why public trust in the previous government's ability to manage the Province's finances was seriously undermined.

Mr. Speaker, this Government acted promptly on the Commission's proposals to restore public accountability and renew public trust.

In response to the Commission's recommendations, almost $1 billion in bad loans and bad debts has been written off, including:

- $715 million in the Saskatchewan Property Management Corporation; and,
- $184 million in the Saskatchewan Water Corporation — the vast majority as a result of the Rafferty/Alameda project.

The Commission criticized financial reporting in Saskatchewan as being one of "the weakest and least useful in Canada from an accountability perspective". In response, independently established accounting principles are being adopted by this Government, putting Saskatchewan at the forefront in open, honest accounting practices.

"The legacy of debt and mismanagement left by the former government extends far beyond what any of us could have imagined possible."

"Eliminating wasteful spending, ensuring accountability and restoring financial well-being – these actions prove our commitment to rebuilding public trust."

The Financial Management Review Commission recommended revenue and expenditures flow through the Consolidated Fund to achieve greater control and accountability. In response, the Saskatchewan Heritage Fund will be combined with the Consolidated Fund to form one major operating account for the Government.

The Commission recommended that the Government address the unfunded liabilities in Saskatchewan's public sector pensions. Mr. Speaker, I am pleased to announce that a review of Saskatchewan's public sector pensions will be initiated. This review will examine and recommend ways to improve all aspects of pension financing, governance and structures. Details of this initiative will be provided in the days ahead.

Mr. Speaker, we acted on the Commission's advice to review the financial position of our Crown corporations. That review revealed that the previous administration plundered our public enterprises to pursue unwise investments and cover up ever increasing budget deficits.

In 1991, the Crown Investments Corporation of Saskatchewan (CIC) lost over $600 million, including:

- losses due to the sale of Cameco shares of $166 million;
- Bi-Provincial Upgrader write-down of $64 million; and,
- a grant to the Meadow Lake Pulp Mill of $50 million.

In addition, $875 million in non-recoverable debt was identified.

CIC Non-recoverable Debt

Item	$ Millions
PCS Privatization Loss	$ 361
Dividends - Paid to the Province	312
Sedco Losses	118
STC Losses	36
Sask. Forest Products Losses	24
Sask. Diversification Corp. Losses	14
Agdevco Losses	6
GigaText Investment Loss	4
Total	**$ 875**

CIC's financial position will be restored so that our public enterprises can join us in rebuilding Saskatchewan.

However, the restoration of CIC's financial integrity is not without cost. The 1992-93 budget deficit will be $93 million higher as a direct result of the former government's mismanagement of our public enterprises.

For ten years, CIC was a political playground for pet projects and questionable investments. It was far removed from the scrutiny of the Members of this Legislature and, most importantly, from the people of Saskatchewan.

To ensure our public enterprises are accountable to the Members of this Legislature and the people of Saskatchewan, audited financial statements for CIC will be presented to this Assembly for public scrutiny each and every year.

My colleague, the Minister responsible for the Crown Investments Corporation, will provide details on CIC's financial restructuring in the coming days.

Eliminating wasteful spending, ensuring accountability to the Legislative Assembly and restoring the financial well-being of our public enterprises — all of these actions demonstrate this Government's commitment to rebuilding public trust through openness, honesty and accountability.

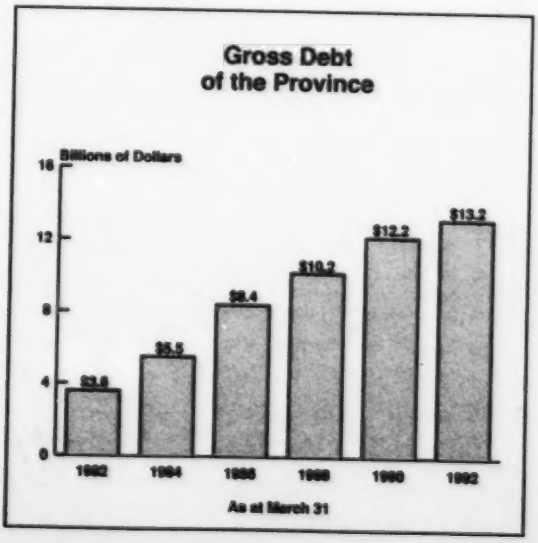
Mr. Speaker, today our Province stands at a critical crossroads. We must choose a path for the future and that choice must reflect the harsh realities of what the former government did to the financial integrity of this Province.

It is simply beyond imagination to think that Saskatchewan's financial position has deteriorated so much in such a short time.

In 1983, the former Premier was quoted as saying:

"Saskatchewan has so much going for it that you can afford to mismanage it and still break even."

Mr. Speaker, he was dead wrong.



Saskatchewan at a Critical Crossroads

"We must choose a path for the future and that choice must reflect the harsh realities of what the former government did to the financial integrity of this Province."

"Had those Members opposite been re-elected, this Province would have drowned in a sea of debt. This Government will reverse the tide by doing what they could not. We must begin to live within our means now because it is the only way to rebuild our Province and protect our children's future."

No family could have run their household the way the previous government ran this Province. There is not a business or farm in Saskatchewan that could have operated that way and survived.

A proud history of operating surpluses became an unbroken string of deficits, year after year after year.

Debt accumulated at an unprecedented pace. The total debt of Saskatchewan increased by $10 billion in ten years. As a result, every man, woman and child in this Province has been saddled with $10,000 in new debt.

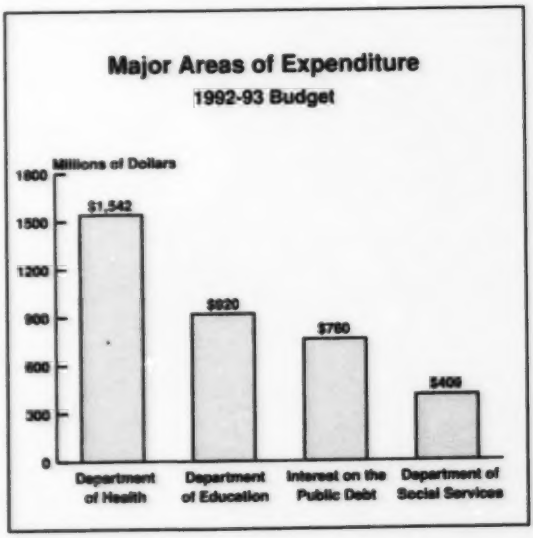
The first seventeen cents of every dollar the Government raises this year will have to go just to pay interest charges on the money the previous government borrowed because it could not bring its spending under control.

In 1981-82, government interest charges amounted to only $43 million. This year, taxpayers will spend $760 million on interest charges, more than $2 million a day.

Imagine the jobs and economic opportunities that could be created with $760 million a year.

Imagine the educational opportunities we could provide for our young people with $760 million a year.

Imagine the benefit of a $760 million cut in taxes this year.



Imagine all of that and realize all our community has lost because the Members opposite would not and could not bring their spending and their borrowing under control.

Mr. Speaker, they had neither the courage nor the will!

Saskatchewan families did not create this massive debt. Saskatchewan's new Government did not create it. Our community has inherited a legacy that will not be forgotten and cannot be ignored.

As the Financial Management Review Commission noted:

> *"We are optimistic about Saskatchewan's future. Our optimism, however, is not based on a 'wait and see' or 'things will work out on their own' perspective. The people of Saskatchewan have to make difficult decisions and to make significant sacrifices in the near term if we are to see a bright future for our province."*

The responsible path at the crossroads is clear. We must now bear the cost of the mismanagement of the past ten years. We must start to live within our means because it is the only way to rebuild Saskatchewan.

Restoring Financial Well-Being

Mr. Speaker, this Government has acted decisively to get spending under control.

For the last ten years, operating expenditures have increased, on average, by 6 per cent per year. This year, operating expenditures will decrease by 3 per cent.

However, interest on the public debt will increase by $237 million, the single largest expenditure increase in the 1992-93 Budget. And that interest expense is the direct result of the billions and billions of dollars borrowed over the past ten years.

This borrowing cannot continue. Steps must be taken to reduce Saskatchewan's deficit. Spending must be brought under control.

My colleagues and I deliberated carefully and responsibly in evaluating government expenditures. In so doing, we did not ask more of our community than we demanded of ourselves.

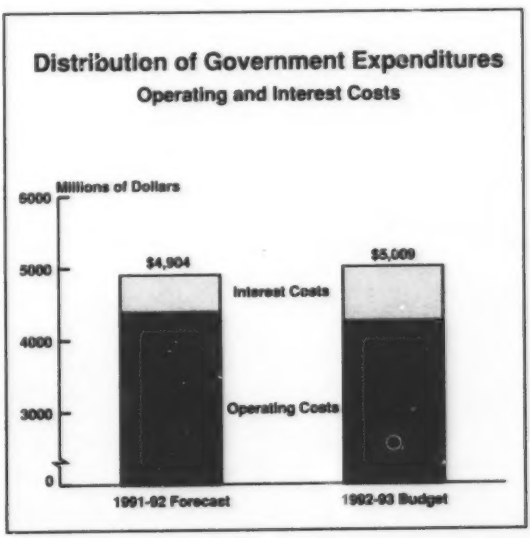
- Cabinet Ministers have taken a five per cent cut in salary. Extra pay for Legislative Secretary positions has been eliminated. These measures, coupled with the smallest Cabinet in twenty years, will result in savings this year of $1.4 million.
- Allowances for Government Members with extra duties in the Legislative Assembly have been reduced.
- Communication allowances for MLAs have been reduced by 25 per cent.
- Out-of-scope salary ranges in the public service have been frozen.
- Advertising and communication budgets in government departments will be cut by 29 per cent.
- Almost 40 boards and commissions are being dissolved and the membership of others, including the Boards of Directors of SaskTel, SaskPower and SGI, is being reduced to eliminate more than 500 appointments.

"This Government is leading by example. This is not the end of our search but the beginning of a process that will see government operations managed more cost-effectively."

"Difficult decisions were demanded and difficult decisions were made. The grim reality today is that those Members opposite mortgaged our children's future."

In addition, my colleagues have worked, and will continue to work, to find greater cost efficiencies and savings in government operations.

- The Department of Social Services is consolidating all employment and training programs to eliminate duplication.
- All capital projects in the Department of Health will be deferred until 1993, except those already under construction.
- The Family Foundation will be eliminated and its priority functions amalgamated with other departments.
- The Farm Ownership Board will be merged with the Farm Land Security Board to consolidate services and reduce administrative overhead.
- The Communications Policy Unit in the Department of Education will be eliminated.
- Family Services and Young Offender programs will be amalgamated and management staff will be reallocated to front line services.
- Funding available for payments to physicians will be reduced.
- Fair and open tendering is being restored.
- The Crown corporations will participate in finding savings and greater cost efficiencies by reducing their operating costs.



This Government is leading by example. This is not the end of our search but the beginning of a process that will see government operations managed more cost-effectively.

Expenditure reduction has also involved our hospitals, universities, schools and municipalities. Funding for these groups has been reduced this year and will be reduced further next year. Over the next two years, the Government will work with these groups to find greater cost efficiencies, improve services and plan for the future based on local priorities.

But more, much more, is required. Make no mistake. Had those Members opposite been re-elected, this Province would have drowned in a sea of debt.

This Government will reverse the tide by doing what they could not. We must begin to live within our means now because it is the only way to rebuild our Province and protect our children's future.

The grim reality today is that those Members opposite mortgaged our children's future. Because of them, we can no longer pay for all the services government provides. Programs that we simply cannot afford will be eliminated. Other programs will be modified to ensure they can continue during this financial crisis.

Programs being eliminated include:

- The Mortgage Protection Plan;
- The Saskatchewan Pension Plan;
- Operation Quick Start; and,
- The Feed Grain Adjustment Program.

None of these decisions was easy but the decision to eliminate the Saskatchewan Pension Plan was particularly difficult. The Plan's unfunded liability was projected to reach $80 million within four years. Our Province simply cannot afford this. By discontinuing this program, the Government will save nearly $12 million in 1992-93 and eliminate a substantial unfunded liability.

I want to make it very clear that Saskatchewan men and women who have invested in this program will have their investment protected.

Mr. Speaker, many programs will be modified to ensure that they continue during this fiscal crisis.

- Optometric services will continue to be provided free of charge to low-income seniors and families, as well as children under the age of 18. All others will pay for eye examinations.
- Funding for chiropractic services will be reduced.
- The Saskatchewan Prescription Drug Plan will be changed to save $27 million this year. Costs will rise for most Saskatchewan residents but those most vulnerable to excessive hardship will be protected.

In addition, the Senior Citizens' Heritage Program will be changed to target benefits more directly to lower income seniors earning less than $22,000 a year.

Details on these and other initiatives will be provided by my Cabinet colleagues.

Unfortunately, as a result of all of the expenditure reductions in the Budget, more than 500 positions in the public service will be eliminated.

"These decisions are necessary today to protect our tomorrow. Failure to act now would mean far more serious and much more harmful consequences in the future."

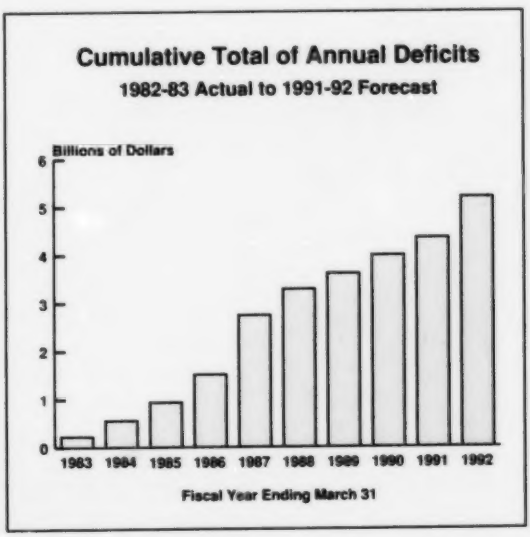
"Today, we must ask everyone in our community to join in restoring financial health in Saskatchewan based on their ability to do so. Deficits are just deferred taxes. The bill has come due."

Difficult decisions were demanded and difficult decisions were made. These decisions are necessary today to protect our tomorrow. Failure to act now would mean far more serious and much more harmful consequences in the future.

In the 1984 Budget Address, the then Minister of Finance stated:

> *"We believe that all governments must work in concert to reduce budget deficits. Failure to accomplish this will force harsh financial penalties on our children. It is inevitable that mounting deficits will result in unwanted reductions in government services and tax increases."*

Mr. Speaker, he was seemingly unaware of just how quickly his government's failure to reduce budget deficits would cripple our community.



"The former government jeopardized our future with ten years of runaway spending and ten years of deficit upon deficit. And for that, I will forever hold them responsible for the burden our community has to bear!"

As the Members opposite know, deficits are just deferred taxes. The bill has come due.

It is the Members opposite who have burdened our community with their out-of-control spending, their failure to protect this Province's financial security and their unbelievable waste and extravagance.

Today, we must ask everyone in our community to join in restoring financial health in Saskatchewan based on their ability to do so.

Consequently, I am announcing the introduction of a 10 per cent Deficit Surtax in the personal income tax system, effective July 1, 1992.

Mr. Speaker, an increase in the personal income tax is the fairest way of asking those who can most afford it to contribute to deficit reduction and restoration of financial well-being in Saskatchewan.

The corporate sector will also contribute through:

- an increase in the general Corporation Income Tax rate from 16 per cent to 17 per cent, effective January 1, 1992;
- an increase from 2 per cent to 3 per cent in the Corporation Capital Tax Surcharge rate on resource corporations, effective April 1, 1992; and,
- an increase from 3 per cent to 3.25 per cent in the Corporation Capital Tax rate on financial institutions, effective April 1, 1992.

Further, as of midnight tonight:

- the Tobacco Tax will be increased by 33 cents per package of 25 cigarettes, with similar increases for other tobacco products;
- the Education and Health Tax will be increased by one percentage point and will be extended to include tobacco products; and,
- the tax on gasoline and diesel fuel will be increased by three cents per litre.

In addition, the farm fuel tax exemption will be restructured so that its important benefits are distributed fairly throughout the farming community.

Effective midnight tonight, bulk fuel dealers will be required to collect the Fuel Tax on their sales of gasoline to farmers and other primary producers. The current fuel tax exemption for gasoline consumed by farmers and other primary producers will be replaced by an annual rebate program.

This change is being made to ensure that the fuel tax exemption is provided only to those persons who are entitled to it.

Today, all of our community is being asked to pay for the mistakes of the Members opposite. These tax changes, necessary to reduce the deficit, are a direct consequence of those mistakes.

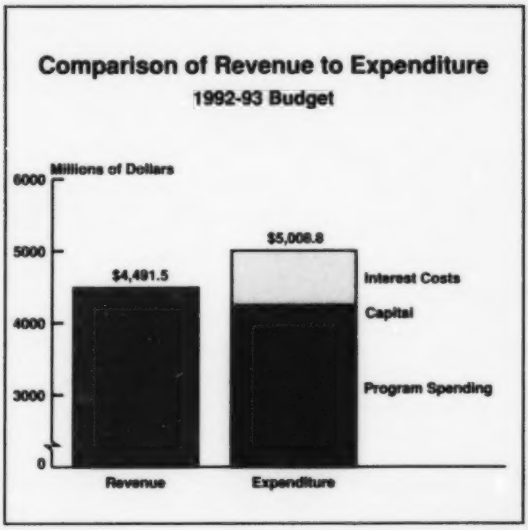
They jeopardized our future with ten years of runaway spending and ten years of deficit upon deficit.

And for that, I will forever hold them responsible for the burden our community has to bear!

Protecting the Future

Mr. Speaker, the revenue and expenditure measures contained in this Budget will result in an operating surplus for the Province of $243 million. The 1992-93 operating surplus will be the highest achieved since the New Democratic government of 1980-81.

Let us put the depth of the former government's legacy into perspective. The revenue and expenditure measures announced today mean this Budget is not only balanced but there is a surplus of $243 million – except for one fact: payment of $760 million in interest charges on the public debt. And that alone is why we have a deficit this year.



Overall, including the interest charges on the debt accumulated over the last ten years, the Province's deficit will be $517 million in 1992-93, more than $300 million less than last year.

This Government has made significant progress to reduce the deficit this year and many of the initiatives in this Budget will have an even greater impact on deficit reduction next year.

We have established a clear, downward trend in the Province's deficit trajectory and we are adamant about staying the course.

My three predecessors in the Finance portfolio all failed to control the deficit in spite of their promises to do so. The problem they took ten years to create will not be resolved overnight.

"We have established a clear, downward trend in the Province's deficit trajectory and we are adamant about staying the course."

But this Government, under the leadership of Premier Roy Romanow, will get the deficit under control.

This is our pledge to you, Mr. Speaker, to all Members of this Assembly and to the people of Saskatchewan.

We will not wait a year to report back. The Government will provide the people of Saskatchewan with a mid-year accounting to advise them of our financial progress to date and ensure our objectives are achieved.

With these mid-year reports and the timely tabling of the Public Accounts, I invite the people of Saskatchewan to judge our progress.

This Budget puts Saskatchewan back on the path to prosperity by working toward a balanced budget.

Protection of Those Most in Need

Mr. Speaker, in spite of the Province's critical financial situation, this New Democratic Government is determined to protect the most vulnerable members of our community.

Many Saskatchewan families, particularly single parent households, are acutely aware of the growing problem of poverty in our Province. Over the past few years, the poorest in our society have simply been unable to keep pace with the increasing costs of basic needs like food, shelter and clothing.

The Budget will provide $28 million in additional funding for the Saskatchewan Assistance Plan which includes provision for rate increases. In total, funding to provide income security through this program will exceed $230 million.

But most importantly, this Government wants what people want for themselves — training and jobs. The new Community Employment Program matches job creation for social assistance recipients with assistance to non-profit organizations and local governments. Not only is this program expected to create jobs for 1,000 people but it will enable communities wishing to undertake worthwhile projects to do so.

Mr. Speaker, protecting Saskatchewan families in need must include initiatives to address the basic needs of our children. The problem of child poverty in this Province is well documented. Finding solutions to this problem will not be easy and will require work on everyone's part.

In 1992-93, the Government will start this process through the following initiatives:

- funding for child hunger programs will be increased by 35 per cent;
- the Saskatchewan Child Tax Reduction for low-income families will be increased by 25 per cent to $250 per child annually, effective July 1, 1992; and,
- grants for child care centres will be increased by 21 per cent.

Mr. Speaker, rates for the Saskatchewan Income Plan, which is specifically designed to assist low-income seniors, will be increased by $120 annually. Effective October 1, monthly benefits will increase by 12.5 per cent for single seniors and 7.4 per cent for senior couples.

A new Community-Based Healthy Housing Program will provide funding to help more Saskatchewan seniors live independently in their own homes.

Home Care funding will increase by nearly 20 per cent, to $38 million in 1992-93, to expand and enhance services such as nursing, meals and home maintenance.

"It is clear that a new approach is needed to address the problems of hunger and poverty, not only in Saskatchewan but all across Canada."

"These measures are only a beginning. We are determined to develop a meaningful, realistic and effective strategy to deal with the problem of poverty but we cannot do it alone."

This Budget also protects the disabled.

The Saskatchewan Assistance Plan special allowance for the disabled will increase by 25 per cent. As well, the Transit Assistance for the Disabled Program will receive an increase of 15 per cent to address the backlog of requests for replacement vehicles and to establish new services in Saskatchewan communities.

A pilot project will be introduced to provide opportunities for disabled people currently living in institutions to move into their own homes.

In addition, this Budget provides protection for northern residents.

To improve living conditions and create jobs, $4 million has been targeted to meet priority water and sewer infrastructure needs in northern communities.

Further, the Northern Food Allowance through the Saskatchewan Assistance Plan will be doubled to $50 a month.

These measures are only a beginning. It is clear that a new approach is needed to address the problems of hunger and poverty, not only in Saskatchewan but all across Canada.

Today, there is a bewildering array of federal and provincial programs, each with its own target group, its own rules and its own objectives. It is an approach that has become increasingly fragmented.

We are determined to develop a meaningful, realistic and effective strategy to deal with the problem of poverty but we cannot do it alone.

Expenditure programs, taxation policies and all other policies which are directed at assisting the poor and disadvantaged in our society must be examined. And that means Ottawa must take part.

Because the federal government controls many elements of the income tax system and cost-shares many of our social programs, the Province has only limited ability to introduce greater fairness and greater compassion in our income tax and security systems.

Changes to gain needed flexibility in our income tax system to enhance fairness and meet the priorities of Saskatchewan people will be aggressively pursued by this Government.

Integration of income support programs with the income tax system is of vital importance in working to address poverty in the Province of Saskatchewan.

Promoting Our Community's Priorities

Mr. Speaker, not only must we protect individuals and families but the communities where people live must be nurtured and protected. That means promoting our communities' priorities.

Rebuilding Saskatchewan together means working to address the critical situation facing our rural communities and our farm families.

The farm trek to Ottawa in November marked the beginning of a concerted, co-operative effort to raise awareness of and find long-term solutions to the problems in agriculture — debt and income.

To begin to address the problem of farm debt, the Government, acting on the recommendations of the Farm Debt Advisory Committee, will:

- establish a six-year leaseback program for farmers who have transferred land to lenders in settlement of a debt;
- develop a voluntary farm debt mediation process that allows lenders and farmers to resolve financial difficulties at an earlier stage;
- enable farm families to offer additional security to access operating and other credit when they decide it is in their best interests; and,
- examine alternate forms of financing such as community-based land trusts.

To provide improved services to those farm families in financial difficulty, the Government will actively pursue the integration of federal and provincial debt resolution processes.

As for farm income, we inherited the totally inadequate farm safety net programs agreed to by the previous administration. With the advice of a producers' committee, we have been able to make some changes to the Gross Revenue Insurance Plan this year. However, we recognize that these changes are only modifications to a fundamentally flawed program.

This Government will be calling the federal government to task and will be working to negotiate a more effective program for Saskatchewan farm families.

Mr. Speaker, while Saskatchewan farmers face the most serious crisis since the 1930s, Ottawa continues its practice of financial off-loading onto individuals and provincial governments.

In 1992-93, federal off-loading in agriculture programs alone will cost Saskatchewan taxpayers over $200 million. This dangerous trend started because the former government caved in to Ottawa's pressure to cost-share programs that were clearly the federal government's responsibility.

In total, federal off-loading in areas like agriculture, health and education means a loss of more than $500 million this year.

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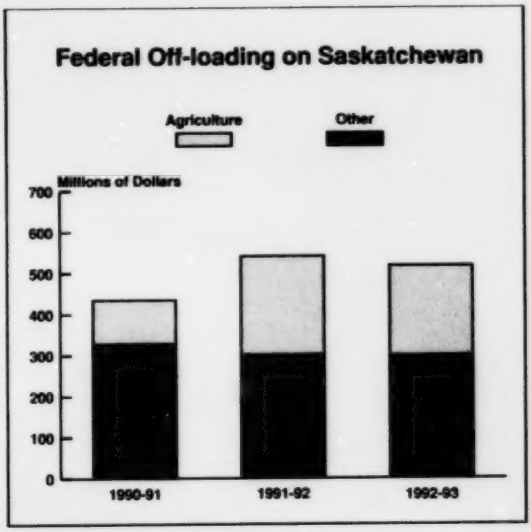

If not for federal off-loading, this Budget would be balanced.

Ottawa is abdicating its responsibility to promote and protect agriculture and vital social programs like health and education. Ottawa's failure is hurting Saskatchewan families.

"Ottawa is abdicating its responsibility to promote and protect agriculture and vital social programs like health and education. Ottawa's failure is hurting Saskatchewan families."

Mr. Speaker, let me assure you that, within our limited financial resources, this Government will do all it can to meet the needs of Saskatchewan families.

With this Budget, the Department of Health will undertake major new initiatives to enhance wellness and prevention, including:

- forming new partnerships with Saskatchewan communities to promote the development of community-based services;
- focusing resources on prevention of illness;
- addressing urgent health needs in Northern Saskatchewan;
- enhancing mental health services; and,
- encouraging healthy lifestyles.

These measures reflect our commitment to community-based, community-driven health care founded on wellness and prevention.

The Departments of Health, Social Services, Justice and the Women's Secretariat will spend $20 million on family support programs, including new initiatives like:

- counselling and services for expectant teenage mothers;
- a community-based family planning initiative; and,
- measures to address the problem of family violence.

Programs currently available throughout government to meet the diverse needs of Saskatchewan women will receive greater funding this year, including:

- the Breast Cancer Screening Program;
- child care facilities;
- the Automatic Enforcement of Maintenance Orders;
- the Employment Equity Unit; and,
- child care services in rural and Northern Saskatchewan.

Rebuilding Saskatchewan together means working to provide a foundation so that all individuals can reach their full potential and make their full contribution.

Jobs and Economic Opportunities

Mr. Speaker, one of the most important priorities for Saskatchewan people is stimulating economic opportunities and creating jobs.

In sharp contrast to the financial position of the Government, the underlying strength of our economy is good reason for hope and optimism.

Trade in world markets is very important to the Saskatchewan economy and recent developments are encouraging.

The exchange rate for the Canadian dollar has dropped in recent months. This will serve to make our export products more competitive in world markets, particularly our agricultural and mineral products.

While this Government has expressed concern about Ottawa's efforts to keep the dollar at artificially high levels, the movement that has been allowed to occur recently bodes well for Saskatchewan exporters in the near term.

In the past, Saskatchewan's industries and farmers have been constrained by high interest rates and the high cost of financing their enterprises. While there is reason to believe that the Bank of Canada should reduce interest rates even further, interest rates have been following a downward trend in recent months. These lower rates will reduce the cost of capital to Saskatchewan's industries and farmers and will assist consumers and the retail sector.

Lower interest rates have already shown an effect in the housing industry. The Canada Mortgage and Housing Corporation has forecast an increase in housing starts of 33 per cent over last year. That means jobs in Saskatchewan's construction industry.

The strength of Saskatchewan's people, the Province's rich endowment of resources, lower interest rates and a lower exchange rate all add up to new opportunities in world markets for Saskatchewan producers.

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I am pleased to announce a package of initiatives that promotes the competitiveness of Saskatchewan's business community and enables them to make the most of these opportunities in our economy.

Effective July 1, 1992, the Small Business Corporation Income Tax rate will be reduced from 10 per cent to 9 per cent.

To assist our rural hospitality industry, I am announcing:

- a redistribution of the benefits from the Saskatchewan Liquor Board's discount policy so that smaller vendors get a larger share; and,
- the introduction of video lotteries, commencing along the international border.

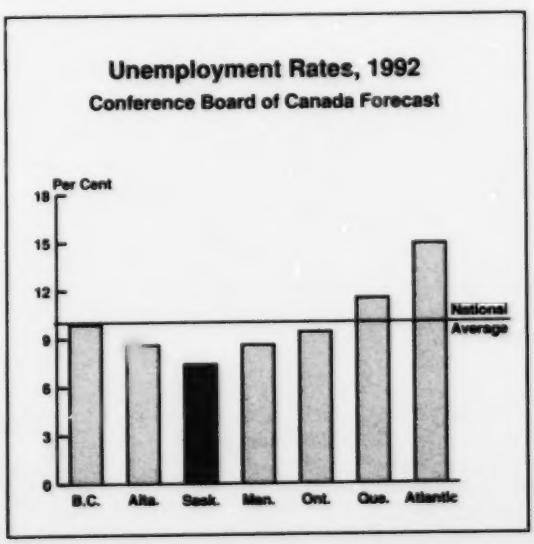
To strengthen our manufacturing and processing sector, I am announcing the phase-out of the Education and Health Tax on direct agents, such as dies, printing consumables and processing chemicals, used in manufacturing and processing activities.

We will take initiatives to enable the co-operative, private and public sectors to work together in partnership to invest directly in Saskatchewan businesses.

This Budget provides funding for a new institute for energy conservation and development.

Funding for northern airports has been increased to improve access to the North and encourage increased economic activity through industries such as tourism.

These positive measures will provide jobs today and improved infrastructure and services for our future.



Mr. Speaker, the Crown corporations will also develop new and more effective ways to contribute to Saskatchewan's economic future. In co-operation with the private sector, SaskPower is exploring new co-generation projects which will strengthen economic development. SaskTel International is actively engaged in foreign markets — providing jobs and opportunities for Saskatchewan people and telecommunication services to other nations.

Funding in this Budget and the activities of the Crown corporations including capital and environmental projects, student summer employment and new housing initiatives will provide economic opportunities and create thousands of jobs for Saskatchewan people.

Mr. Speaker, the Premier's Economic Action Committee will develop a long-term economic strategy for Saskatchewan through an effective, co-operative partnership among:

- local governments;
- business;
- labour;
- the professional community;
- the co-operative sector;
- farmers; and,
- the education community.

Saskatchewan's long-term economic growth depends on a vital partnership among private, public and co-operative enterprise — the mixed economy.

Our Province works best when all the partners in our mixed economy are working together for a common objective: meaningful, quality employment for Saskatchewan men and women.

Ours is an approach based on the belief that, while we compete in a global economy, achieving success depends on working together. Saskatchewan people are among the most creative and hard working in the world. We have proven that before. We will prove it again.

This Government will:

- provide a stable, supportive environment for economic growth;
- develop results-oriented programs that improve productivity and prosperity;
- create a climate of hope and opportunity for our private, co-operative and public enterprises; and,
- base its policies on the strength of our local entrepreneurs and communities.

The whole purpose of producing greater wealth, more goods and better services is surely to make life better — not only the standard of living, but the quality of life. That is the opportunity of the 1990s.

Like generations before us, by following the principle of co-operation, we will realize our common vision — people working to help their neighbours — rebuilding together.

"This package of initiatives promotes the competitiveness of Saskatchewan's business community and enables them to make the most of the opportunities in our economy."

Saskatchewan Savings Bonds

This Province has a proud history of pulling together during tough times. That is the kind of creative, co-operative effort that is needed now.

In every community, large and small, people believe that we have what it takes to turn things around in this Province. That is our history — a history of perseverance against great odds.

As I travel around this Province, people everywhere talk about the need to pull together and fight for our future. People want an opportunity to invest directly in rebuilding this Province and overcoming this financial crisis. Our Government will give them that opportunity

Today, I am pleased to announce that Saskatchewan Savings Bonds will be introduced in June.

These bonds will:

- provide Saskatchewan men and women with a secure and attractive opportunity to invest in this Province;
- reduce the Government's borrowing outside Saskatchewan; and,
- lower the amount of interest paid to non-Saskatchewan residents.

Saskatchewan Savings Bonds will provide our community with a significant and meaningful way to assist in improving the financial situation of this Province.

These bonds mean we can put our hard earned dollars to work right here in our communities for our families.

Saskatchewan Savings Bonds will symbolize how our community pulls together through the tough times to secure the future.

Shaping the Future Together

Mr. Speaker, this Budget is founded on fiscal responsibility, public accountability, fairness, compassion and economic reality.

Fiscal responsibility — because we are defining the road to recovery and working toward financial freedom.

Public accountability — because we are laying a solid foundation to provide open, honest government.

Fairness — because we are calling on all of our community to join us in rebuilding this great Province.

Compassion — because we will protect those most vulnerable in our community.

And economic reality — because stimulating economic opportunities and helping to create jobs is a vital part of rebuilding Saskatchewan.

Today is a new beginning for our Province. Today we begin to confront the future with high hopes and great faith, secure in the knowledge that New Democratic governments throughout our Province's history have been successful in achieving their mandates. As they have succeeded, so too will we.

It will not be easy. Nothing this important ever is.

While we have to pay for the mistakes of the previous administration, let us all look forward to the day when our community can join together in celebration of financial freedom, safe in the knowledge that the mistakes of the last ten years will never happen again in the Province of Saskatchewan.

Let us look forward to the day when we can tell our children that, though we entered the 1990s plagued by financial crisis, we made the difficult decisions. We turned a new page in our history and put this Province firmly on the path to prosperity.

It is time now to rebuild Saskatchewan together.

"This Budget is founded on fiscal responsibility, public accountability, fairness, compassion and economic reality. It is time now to rebuild Saskatchewan together."

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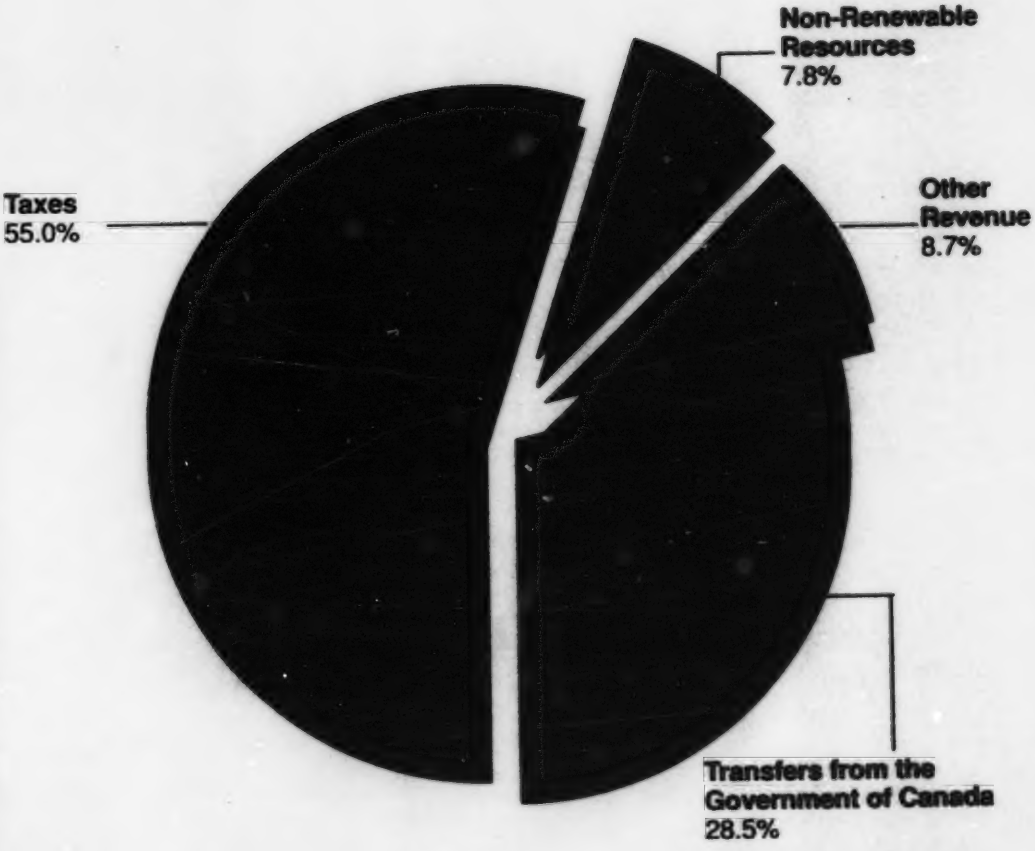
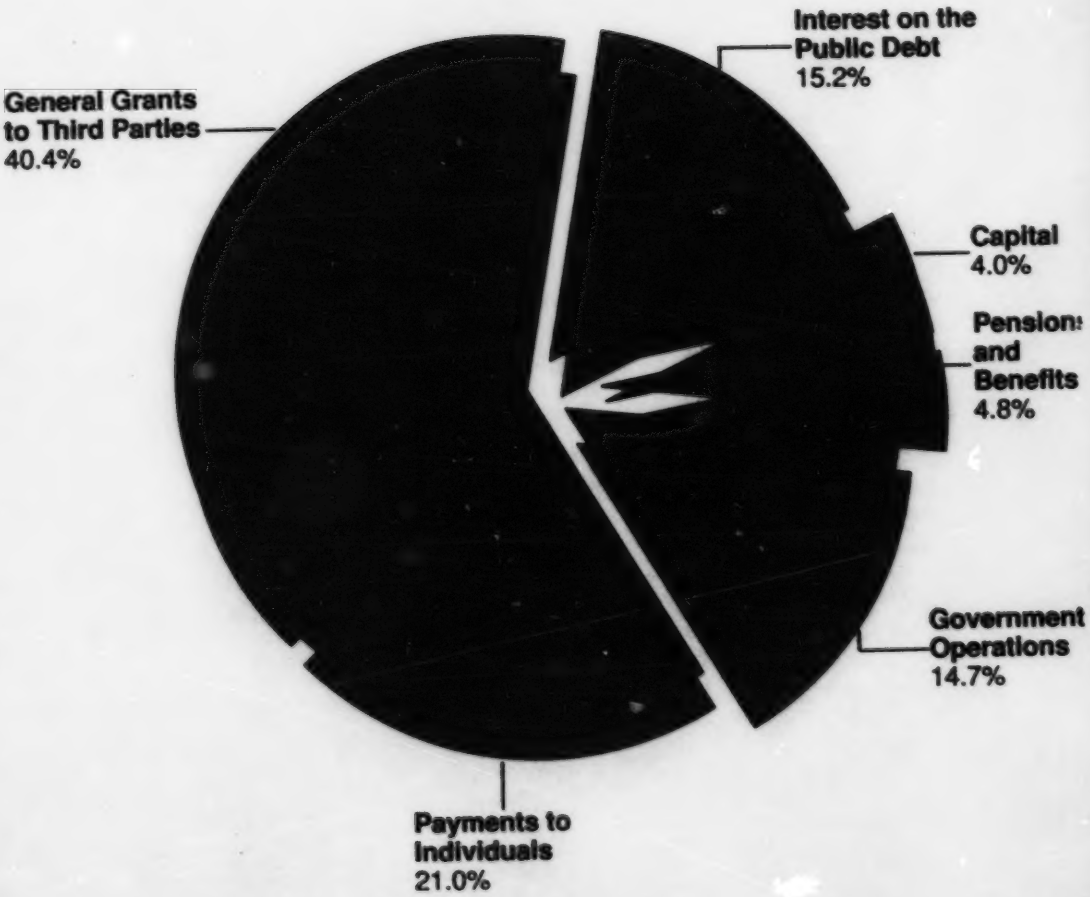
Government of Saskatchewan
Sources of Revenue, 1992-93



	Millions of Dollars	Per Cent of Total
Taxes		
Individual Income	$ 1,140.1	25.4%
Sales	610.8	13.6
Fuel	321.6	7.2
Corporations	243.1	5.4
Tobacco	115.0	2.6
Other	38.9	0.9
	$ 2,469.5	55.0%
Transfers from the Government of Canada		
Equalization	$ 600.0	13.4%
Transfer for Health and Education	429.6	9.6
Canada Assistance Plan	182.5	4.1
Other Transfers	67.3	1.5
	$ 1,279.4	28.5%
Non-Renewable Resources		
Oil	$ 212.8	4.7%
Potash	61.0	1.4
Natural Gas	40.0	0.9
Uranium	18.6	0.4
Other Minerals	17.3	0.4
	$ 349.7	7.8%
Other Revenue		
Dividends	$ 159.4	3.5%
Motor Vehicles	77.3	1.7
Charges for Services	43.6	1.0
Licences and Permits	29.1	0.6
Other	83.5	1.9
	$ 392.9	8.7%
Total Revenue	$ 4,491.5	100.0%

Government of Saskatchewan
Distribution of Spending, 1992-93


Interest on the Public Debt 15.2%
General Grants to Third Parties 40.4%
Capital 4.0%
Pensions and Benefits 4.8%
Government Operations 14.7%
Payments to Individuals 21.0%

	Millions of Dollars	Per Cent of Total
General Grants to Third Parties		
Hospitals	$ 663.8	13.3%
Schools	372.8	7.4
Special Care Homes	235.2	4.7
Universities	178.4	3.6
Other Health Agencies	119.9	2.4
Rural and Urban Municipalities	96.8	1.9
Other Crown Corporation Subsidies	96.7	1.9
Agricultural Support	95.8	1.9
SIAST and Regional Colleges	79.5	1.6
RCMP Services	59.1	1.2
Other	23.4	0.5
	$ 2,021.4	40.4%
Payments to Individuals		
Doctor and Medical Service Fees	$ 274.4	5.5%
Agricultural Support	261.0	5.2
Welfare and Income Support	251.5	5.0
Prescription Drug Plan	67.7	1.4
Child and Family Services	55.9	1.1
Student Aid and Training	54.3	1.1
Seniors' Heritage Program	23.3	0.5
Programs for Disabled People	21.1	0.4
Other	40.2	0.8
	$ 1,049.4	21.0%
Government Operations		
Highway Maintenance and Operations	$ 113.3	2.3%
Community Health Programs	93.5	1.9
Courts, Jails and the Justice System	89.8	1.8
Child and Family Services	85.0	1.7
Health and Education Administration	81.0	1.6
Parks, Forests and Natural Resources	70.5	1.4
Agriculture and Economic Development	52.0	1.0
Internal Government Departments	50.9	1.0
Regulatory, Inspection and Mediation	49.3	1.0
Municipal Services	45.5	0.9
Other	4.4	0.1
	$ 735.2	14.7%
Pensions and Benefits		
Teachers	$ 124.3	2.5%
Public Service	91.1	1.8
UIC, CPP, WCB and other contributions	27.2	0.5
	$ 242.6	4.8%
Capital		
Schools and Post-Secondary	$ 68.1	1.4%
Highway Construction	65.9	1.3
Hospitals and Special Care Homes	33.9	0.7
Municipal Projects	30.3	0.6
Other	1.8	0.0
	$ 200.0	4.0%
Interest on The Public Debt	$ 760.2	15.2%
Total Expenditure	$ 5,008.8	100.0%

Expenditure Restraint

The History of Expenditure Growth

Over the past ten years, annual operating expenditures grew at an average rate of 2.5 percentage points higher than inflation. Moreover, this expenditure growth exceeded the capacity of the revenue base to support it. This resulted in an ongoing imbalance between revenues and expenditures. The fact that expenditures exceeded revenues during this period was only part of the problem. More significant was that the gap between the Province's expenditures and its revenues was widening.

The need to bring expenditures and revenues in line with each other can, for a period, be delayed through increased borrowing. However, increased borrowing also increases debt servicing costs which contribute to future expenditures. This growing debt servicing cost has undermined efforts to control spending.

In recent years, interest costs have become the fastest growing expenditure of government. Government debt servicing costs grew from $43 million in 1981-82 to $760 million in 1992-93.

Developments in 1991-92

When the Government took office six months ago, the majority of expenditures for the 1991-92 fiscal year had been expended or committed. The Government found that, without corrective measures, the 1991-92 deficit would exceed $960 million rather than the $265 million that was originally forecast. Steps to reduce expenditures by $65 million and minor revenue enhancements reduced the 1991-92 projected deficit to $888 million.

The reduction measures included:

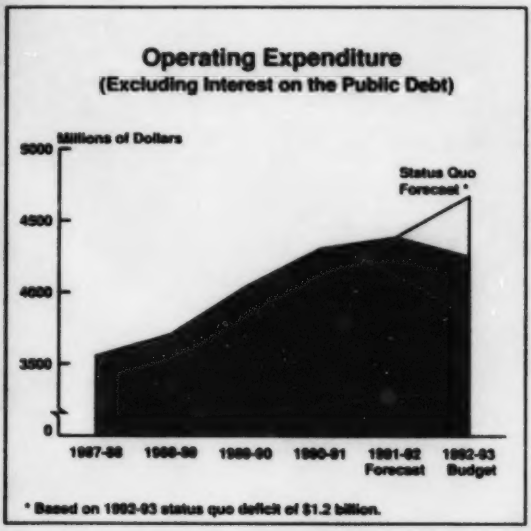
	$ Millions
Reduced Size of Cabinet	$ 1.0
Government Hiring Restrictions	2.0
Freeze on Capital Expenditures	1.0
Advertising, training and travel restrictions	12.5
Reduced Contractual & Consulting Services	10.0
Misc. Departmental Efficiency Measures	16.2
Cancellation of Fair Share Saskatchewan	14.9
Other Reductions	7.4
TOTAL EXPENDITURE SAVINGS	$65.0

Subsequently, the Government took further steps to reduce spending, resulting in a 1991-9 forecasted deficit of $852 million in the Financi Report of December, 1991.

1992-93 Budget Development

As the Government approached the preparatio of the 1992-93 Budget, it faced an even more substantial fiscal problem. Simply maintaining existing levels of services, combined with revenue trends, would have resulted in a 1992-93 deficit approaching $1.2 billion.

Decisive action was required to reduce the trajectory of expenditure growth.



The Government adopted a new approach for the 1992-93 expenditure budget which reflected these serious financial circumstances. A number of factors were considered in the development of this approach.

- Controlling the deficit would start first with expenditure reductions.
- The Government would demonstrate leadership in constraining expenditures.
- All areas of government spending would be scrutinized through a renewed commitment to a formal decision-making process involving the Treasury Board committee of Cabinet.
- Government departments would focus and define the nature of programs and services with a view to long-term priorities.
- All government programs and activities would be examined for savings opportunities.
- The Province's major third party groups would actively participate in achieving reductions.
- A two-year time frame for budget decisions would be adopted to provide sufficient time for consultation, planning and implementation.
- Compassion, equity and consideration of those in greatest need would serve as guiding principles for budget decisions.

Starting at the top, cuts were made to Cabinet Ministers' salaries and allowances for Government Members with extra duties. Government advertising and travel expenses were significantly reduced. Also, salary ranges for out-of-scope employees were frozen.

The budget process focused on expenditure reductions and involved the review of all programs and activities. The objective was not only to reduce or eliminate lower priority programs but also to target the Province's limited resources to the protection of those most in need. This involved redirecting resources to the most vulnerable members of our community, including low income families and the disadvantaged.

About 40 per cent of the provincial budget is provided to third parties such as local governments, school boards, universities, hospitals and other organizations. Any attempts to reduce government spending had to involve these organizations. Recognizing that these third parties would need time to adjust to new spending levels, the Government extended spending targets over a two-year time frame.

To allow those institutions to begin to plan for change, the Government announced their two-year funding targets prior to the Budget.

ANNOUNCED THIRD PARTY FUNDING TARGETS

	Per Cent Change	
	1992-93	1993-94
Hospitals	-2.3	-3.2
K-12 Schools	-2.0	-2.0
Universities	-1.0	-2.0
SIAST	-3.0	-2.0
Urban Municipalities	-15.0	-5.0
Rural Municipalities	-7.4	-3.3

A thorough review of all remaining government expenditures resulted in:

- the elimination of more than 20 programs and the modification or reduction of 50 others;
- a total reduction of over 500 positions resulting from restraint initiatives; and,
- program eliminations, reductions, austerity measures and other adjustments resulting in overall gross expenditure reductions of over $340 million, relative to the 1991-92 Financial Report.

1992-93 EXPENDITURE REDUCTION SUMMARY

	$ Millions
Program Growth Constraints	
Health	$ 59.7
Education	17.5
Agriculture and Food	19.7
Other	1.0
SUB TOTAL	$ 97.9
Other Measures	
Program Eliminations and Reductions	$ 44.3
Reduction in Grants, Transfers and Subsidies	88.5
Reduction in Capital Construction	78.8
Management Improvements and Cost Reductions within Government	22.6
Other	12.0
SUB TOTAL	$246.2
TOTAL SPENDING REDUCTIONS	$344.1

Significant reductions are achieved. However, the net effect of these savings is reduced for a number of reasons.

- Funding is required for previous years' commitments such as the federal-provincial agreement for the Gross Revenue Insurance Plan and outstanding items like the Principal Trust settlement.
- A $39 million subsidy is required from the Consolidated Fund to the Crown Investments Corporation of Saskatchewan to cover the 1992 net operating loss.
- Obligations such as $65 million of new funding for Teachers' Pensions is provided.
- The transfer of debt from the Saskatchewan Water Corporation, the Saskatchewan Property Management Corporation and the Crown Investments Corporation of Saskatchewan contributed the majority of the $243 million increase in servicing the Public Debt.

Despite these pressures, an overall reduction was achieved in departmental spending. However, the increase in the cost of servicing the public debt more than offset these expenditure reductions as illustrated below.

1992-93 BUDGET IMPACT

	$ Millions	Per Cent
Departmental Spending	$(171.4)	-3.9%
CIC Subsidy	39.0	n/a
TOTAL OPERATING EXPENDITURES	$(132.4)	-3.0
Servicing the Public Debt	237.2	45.4
TOTAL	**$ 104.8**	**2.1%**

Conclusion

In the Government's first six months in office, it has made significant progress in reducing expenditures.

Initiatives have included:

- $65 million of 1991-92 expenditure savings which lowered the expenditure trajectory for 1992-93;
- a comprehensive review of provincial finances under the Financial Management Review Commission;
- two-year funding targets for major third parties in health, education and local government;
- elimination, modification or reduction of more than 70 programs;
- elimination of over 500 positions; and,
- decisions in 1992-93 which establish a downward trajectory for expenditures to generate further savings in 1993-94.

In addition, the Government has initiated a number of comprehensive reviews in important policy areas such as income security and post-secondary education which will lay a solid foundation for planning, development and spending priorities for 1993-94 and beyond.

1992-93 Saskatchewan Revenue Initiatives

General Description

The 1992-93 Saskatchewan Budget presents a number of revenue initiatives to address the current financial crisis. These initiatives are introduced fairly and equitably, so that all sectors of the provincial economy will be expected to contribute to the restoration of the Province's financial well-being.

This paper describes in more detail the tax changes announced in the Budget. As this paper is only a summary of the tax initiatives, the reader is advised to contact the department or agency responsible or consult the amending legislation for more precise information.

Personal Income Tax

Saskatchewan currently levies a Basic Saskatchewan Tax equal to 50% of Basic Federal Tax, a Flat Tax equal to 2% of Net Income and a high income Surtax equal to 15% of provincial tax in excess of $4,000.

The Province also reduces the provincial income tax of lower and middle income families through the application of the Saskatchewan Tax Reduction. The current Reduction provides about $52 million per year in tax savings, with the majority of benefits going to families with children.

To reduce the provincial deficit, a 10% Deficit Surtax is being introduced effective July 1, 1992. It will apply to the aggregate of an individual's Basic Saskatchewan Tax and Flat Tax.

In addition, to protect lower income families, the Saskatchewan Tax Reduction will be increased by $50 per child, also commencing July 1, 1992.

These changes in Personal Income Tax will be reflected in the withholding tables commencing July 1, 1992. However, the effect on withholdings will be partly offset by the reduction in federal withholdings resulting from federal budgetary changes. As shown in the table below, a two-income family with two children earning $40,000 will see an increase in their tax withholdings of $18 per month as a result of the provincial and federal tax changes.

Impact of Personal Income Tax Changes
Two-Income Family with Two Children

Income	Increase in Monthly Withholdings* July 1, 1992
$ 10,000	$ 0
20,000	0
30,000	3
40,000	18
50,000	25
60,000	34
75,000	48
100,000	72

*Impact of combined federal and provincial changes.

These Personal Income Tax changes will result in additional 1992-93 revenue of $60.0 million.

Personal Income Tax Reform

Saskatchewan's income taxes are collected on the Province's behalf by the federal government under the terms of the Canada-Saskatchewan Tax Collection Agreement.

This Agreement permits the federal and Saskatchewan governments to rely on one administration, Revenue Canada, for the assessment and collection of income tax in the Province. This greatly reduces the compliance effort of provincial residents in the preparation of tax returns. However, it also requires Saskatchewan and other provinces who have similar arrangements to accept federal control over the conditions under which provincial income taxes are levied.

The result is that Saskatchewan has only limited flexibility to alter the design of its Personal Income Tax system. This means that the Province is restricted in how it can enhance the fairness of the tax system. For example, it cannot unilaterally integrate our income support programs with the income tax system to ensure fairness and efficiency in provincial social policy.

The Government of Saskatchewan is pressing the federal government for increased flexibility in provincial income tax, so that the provincial income tax system can become fairer and more equitable. The federal government has recently presented a discussion paper that outlines proposals for increased provincial flexibility.

For further information on the Personal Income Tax changes, contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs Branch
9th Floor, 2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: (306) 787-6722

Corporation Tax Changes

The Budget introduces the following revenue raising initiatives.

- Effective January 1, 1992, the general Corporation Income Tax rate will increase from 16% to 17% of Taxable Income.
- Effective April 1, 1992, the Corporation Capital Tax rate levied on financial institutions will increase from 3.0% to 3.25% of Taxable Paid-up Capital.
- Effective April 1, 1992, the Corporation Capital Tax Surcharge rate levied on large resource companies will increase from 2% to 3% of the value of resource sales.

The Province will also be making technical changes to the Corporation Capital Tax that will protect provincial revenues and will eliminate the potential for inconsistent tax treatment among competing firms.

In total, these revenue initiatives will result in additional revenue of $34.2 million in 1992-93.

Competitiveness of Saskatchewan Industry

The climate for business development and job creation has changed dramatically during the 1980s. Saskatchewan industry must be competitive as it looks beyond provincial and national borders to secure new markets.

This Budget announces a number of initiatives that will address areas of concern with regard to the competitiveness of provincial industry that were identified through consultations with the business community.

A. Saskatchewan's Small Business Climate

To improve the general climate of business investment, the following initiatives are announced.

- Effective July 1, 1992, the small business Corporation Income Tax rate will be reduced from 10% to 9%.
- Effective for 1992, the Province will introduce a number of changes to the Saskatchewan Labour-sponsored Venture Capital Corporations (LSVCC) Program which will assist employees in investing in Saskatchewan small and medium sized businesses, including an increase in the annual investment limits permitted employees who invest in provincial LSVCCs.

In total, these initiatives will result in a decline in revenue of $1.2 million in 1992-93.

B. Saskatchewan's Hospitality Industry

To improve the competitiveness of Saskatchewan's hospitality industry, particularly those businesses in rural Saskatchewan, the following initiatives are announced.

- Effective immediately, the Province will introduce video lotteries to Saskatchewan, commencing with licensed establishments situated along the international border. The Government of Saskatchewan will introduce video lotteries under the following conditions:
  - video lotteries will be owned and operated by the Government;
  - the Saskatchewan Gaming Commission's enforcement of gaming in Saskatchewan will be strengthened;
  - video lotteries will only be permitted in licensed premises and the minimum age to play video lotteries will be 19 years; and,
  - representatives of the hospitality industry will be consulted regarding the implementation of video lotteries in Saskatchewan.
- The Saskatchewan Liquor Board will introduce changes to the Province's liquor pricing practices, including a change to the current beer discount policy that will result in an increase in benefits for the smaller hotels and restaurants. Many of these businesses are located in rural communities.

  The Liquor Board will also implement a flat rate mark-up policy to protect provincial liquor revenues, while not significantly affecting prices.

- The Governments of Saskatchewan and Canada are finalizing an administrative arrangement which will result in the collection of provincial alcohol and tobacco taxes at the international border by Revenue Canada. This will eliminate the tax advantage that currently exists in favour of United States retailers of these products.

In total, these initiatives will result in additional revenue of $4.2 million in 1992-93.

C. Saskatchewan's Manufacturing and Processing Industry

To improve the competitiveness of Saskatchewan's manufacturing and processing sector, the Province will phase out the Education and Health (E&H) Tax paid on "direct agents" consumed in manufacturing and processing activities, commencing July 1, 1992. Direct agents are those materials consumed or used for the transformation or manufacture of a product by contact or temporary incorporation into the raw materials being manufactured or processed.

Direct agents include (but are not restricted to):

- dies, jigs, moulds, patterns and stencils;
- chemicals which come into direct contact with the product being manufactured; and,
- typeset products, negatives, engravings, artwork and other items consumed in the printing industry.

The following schedule describes the phase-out of direct agents from the E&H Tax base:

- Effective July 1, 1992, the E&H Tax rate will be reduced to 5%;
- Effective July 1, 1993, the E&H Tax will be reduced to 3%; and,
- Effective July 1, 1994, the E&H Tax on direct agents will be completely eliminated.

The phase-out of the E&H Tax on direct agents will result in a decline in revenue of $2.8 million in 1992-93. When fully implemented, the phase-out will result in an E&H Tax saving of $10.0 million per year for Saskatchewan's manufacturing and processing sector.

For further information on the corporation tax changes, contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs Branch
9th Floor, 2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: (306) 787-6722

Other Revenue Initiatives

Education and Health Tax

Effective midnight Budget night, the Education and Health (E&H) Tax rate is increased from 7% to 8%.

The E&H Tax will continue to provide exemptions for many family essentials, including children's clothing, adult clothing valued at less than $300, prescription and non-prescription drugs, electricity used in homes, fuel used for home heating and reading materials.

This initiative will result in additional revenues of $65.1 million in 1992-93.

Tobacco Tax

Prior to the 1992 Budget, Saskatchewan's Tobacco Tax was $1.67 per package of 25 cigarettes, with a comparable tax levied on other tobacco products. This rate has remained unchanged since 1989 and had become one of the lowest in Canada.

Effective midnight Budget night, the Tobacco Tax will increase on cigarettes from 6.68¢ per cigarette to 8.00¢ per cigarette and on cut tobacco from 4.4¢ per gram to 5.3¢ per gram.

In addition, tobacco products will be added to the E&H Tax base, also effective midnight Budget night.

These changes to the taxation of tobacco products will result in additional revenues of $39.6 million in 1992-93.

For further information on the E&H Tax and Tobacco Tax changes, contact:

Saskatchewan Finance
Revenue Division
2nd Floor, 2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: (306) 787-6645

Fuel Tax

Saskatchewan's Fuel Tax is currently 10¢ per litre on gasoline, gasohol and diesel. A lower tax rate of 7¢ per litre is levied on propane, to acknowledge the environmentally friendly nature of that fuel. Saskatchewan's Fuel Tax rate is 15¢ per litre on locomotive diesel fuel and 7¢ per litre on aviation fuel.

Effective midnight Budget night, the Fuel Tax rate levied on gasoline, gasohol and diesel fuel will be increased from 10¢ per litre to 13¢ per litre.

The Fuel Tax rates levied on propane, locomotive diesel fuel and aviation fuel remain unchanged.

This change will result in additional revenues of $47.3 million in 1992-93.

Farm Fuel Use

Since the re-introduction of the Fuel Tax on individuals, the Province has seen a significant escalation in the consumption of farm gasoline, which is currently exempt from the Fuel Tax. This increase is, in part, attributable to the use of this exempt fuel in non-farm operations, where fuel consumed is subject to taxation.

Within three years of the re-introduction of the Fuel Tax on individuals, the amount of tax-free gasoline sold in Saskatchewan rose by 32%, while the consumption of tax-paid gasoline over the same period fell by 21%. A similar change in consumption occurred with diesel fuel. This shift is causing a decline in Fuel Tax revenue of about $25 million per year.

Saskatchewan's current fiscal situation cannot afford this revenue leakage. However, the Province also recognizes the importance of cheaper fuel to the viability of the farming operation.

The Province is, therefore, announcing the following changes to the tax treatment of farm fuel.

A. Farm Diesel

- Effective January 1, 1993, a fuel colouring program will be re-introduced for diesel fuel consumed in the farming operation and other primary activities. This will allow diesel to be sold tax-free to farmers on their bulk purchases. The extended lead time will provide oil companies, bulk agents, farmers and the government sufficient time to acquire the necessary colouring and storage equipment.

B. Farm Gasoline

- Effective midnight Budget night, the current exemption provided for farmers and other primary producers on the consumption of gasoline will be replaced with an annual rebate of Fuel Tax paid, up to $900 per year. Details of the gasoline rebate program are:

  - the 1992 calendar year rebate (May 8 - December 31 period) will be pro-rated to $600;

  - farmers will not be required to submit Fuel Tax receipts on bulk purchases, as the bulk agents' records will be used to determine eligibility for the Fuel Tax rebate;

  - rebate claims will be sent to farmers at the end of February 1993 for the 1992 year for verification by farmers; and,

  - farmers will still be permitted to claim a rebate on retail purchases of both gasoline and diesel in 1992. However, retail gasoline purchases made after May 7, 1992 will be included in calculating the annual rebate limit.

These changes to the treatment of farm fuel will result in additional revenue of $56.6 million in 1992-93. However, this change will not significantly affect the level of taxation on farm fuel as the rebate payable in the Spring of 1993 will fully compensate most Saskatchewan farmers on their farm-use gasoline.

For further information on the Fuel Tax changes, contact:

Saskatchewan Finance
Revenue Division
3rd Floor, 2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: (306) 787-6637

Saskatchewan's Tax Expenditures

Introduction

In the 1990s, the Government of Saskatchewan faces the challenge of restoring a balance between its direct expenditures and its revenues.

When direct expenditures exceed revenues during any one fiscal year, as they have done since 1982-83, the Government has a deficit. A contributing factor to the difference between direct expenditures and revenues is a number of provisions that are called "tax expenditures".

"Tax expenditures" are decisions taken by government to reduce the amount of revenue generated from the government's tax system in order to achieve particular economic and social objectives.

Tax expenditures include such measures as exemptions, deductions, tax credits, preferential tax rates, deferrals or omissions. Each provides special or preferential treatment to certain taxpayers or to certain types of economic activity. Taken together, they provide assistance to a variety of individuals and corporations, including families, farmers, senior citizens and small businesses.

However, the fact that these provisions reduce the amount of revenues generated by the government means that they can often play a significant role in widening the gap between direct expenditures and revenues, thereby increasing the deficit.

One instance in Saskatchewan's recent history of a tax expenditure having a significant impact on the Province's finances was the decision to not collect the Fuel Tax during the period between 1982-83 and 1987-88, a decision that added over $600 million to the accumulated deficit.

The Rationale for Tax Expenditures

Tax expenditures can achieve a number of objectives, such as enhancing the fairness of the tax system and promoting certain types of economic activity. In achieving these objectives, they become fundamental elements of the tax system.

Saskatchewan's Personal Income Tax is largely based on the federal income tax system. As a result, deductions provided in computing Basic Federal Tax, such as the basic personal tax credit and the dependent child tax credit also affect Basic Saskatchewan Tax. In addition, the Province improves the fairness of the tax system through the Saskatchewan Tax Reduction, which decreases the income taxes payable by lower income individuals, families and senior citizens.

Saskatchewan's sales tax, the Education and Health (E&H) Tax, does not apply to certain basic items: groceries, home heating fuel, residential electricity, children's clothing, most adult clothing and reading materials. This is in contrast to the federal Goods and Services Tax (GST) which applies to almost all consumer goods and services.

Saskatchewan's corporation tax system provides a number of tax expenditures that are designed to encourage economic growth and job creation in Saskatchewan. This Budget introduces new tax expenditures that will improve the competitiveness of provincial industry, including:

- the reduction in the small business Corporation Income Tax rate from 10% to 9%, effective July 1, 1992; and,
- the phase-out of the E&H Tax on direct agents consumed in the manufacturing and processing industry.

The Cost of Tax Expenditures

The introduction of tax expenditures results in certain associated costs, which may be considered in several ways.

- First, there is the cost of forgone revenues. Tax expenditures result in the reduction of revenue collected and can have as significant an effect on a government's financial position as direct expenditures.
- Second, tax expenditures may add to the complexity of the tax system, leading to increased administrative effort by both government and taxpayers.

- Third, tax expenditures may create distortions in consumer and other economic behaviour.

- Finally, tax expenditures may create increased compliance costs for a business and its customers.

Tax Expenditures as Elements of the Tax System

The tax expenditures discussed in this paper are generally well defined elements of a tax system. However, governments are also able to provide tax relief that is specific to an individual circumstance.

The Financial Management Review Commission examined tax expenditures that were not applied universally. The Commission focused its attention on the impact of these expenditures on the Province's current and future fiscal position. It also commented on the fact that these expenditures were not reported to the Legislature or, for that matter, to the public.

The Commission expressed the concern that the Government should not be relieved of its obligation to report the financial implications of such measures fully, candidly and promptly to both the public and the Legislature.

While discussion of this type of tax expenditure is outside the scope of this paper, the Government of Saskatchewan is committed to addressing the concerns raised by the Financial Management Review Commission.

1991 and 1992 Tax Expenditures

Traditionally, the Government of Saskatchewan has presented a tax expenditure account that focuses on a single year. This time, this paper provides estimates of tax expenditures for both 1991 and 1992, since the paper was absent from last year's Budget material.

The estimates presented illustrate the impact of the decision in 1991 to extend the Education and Health Tax to such items as children's clothing, restaurant meals and reading materials. This decision resulted in a significant increase in personal taxes, which caused a corresponding decline in tax expenditures.

The repeal of "harmonization", effective October 22, 1991, is reflected in the restored tax expenditures shown in 1992.

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan.

Government of Saskatchewan
Tax Expenditure Accounts
(Value of Tax Expenditures in Millions of Dollars)

	1991	1992
Sales Taxes		
Exemptions		
1. Clothing, footwear and yard goods	$ 17.9	$ 44.6
2. Children's clothing and footwear	2.6	6.5
3. Drugs and medicines	12.2	15.1
4. Farm machinery and repair parts	33.7	37.0
5. Fertilizer, pesticide and seed	37.9	41.4
6. Food		
- Restaurant meals and snack foods	22.4	59.4
- Basic groceries	69.6	76.9
7. Reading materials	3.6	9.3
8. Services		
- Construction	160.5	182.5
- Repair	66.6	75.6
- Other	28.8	33.8
9. Used goods	30.0	35.6
10. Electricity	5.6	14.1
11. Natural gas	10.3	25.8
12. Direct agents	0.0	1.9
Fuel Tax		
1. Exemption for farm activity	$ 90.8	$ 106.5
2. Exemption for primary producers	1.0	1.0
3. Exemption for heating fuels	7.2	7.2
Individual Income Tax		
Deductions from Income		
1. Allowable employment expenses	$ 7.0	$ 7.8
2. Annual union, professional or like dues	6.1	6.6
3. Registered Pension Plan contributions	29.4	32.0
4. Registered Retirement Savings Plan contributions	59.5	63.5
5. Moving expenses	1.0	1.2
6. Carrying charges	7.5	8.3
7. Child care expenses	5.4	5.8
8. Capital gains deduction	34.7	38.2
Personal Tax Credits		
1. Basic Personal Tax Credit	$ 264.8	$ 289.9
2. Married Tax Credit	21.1	23.2
3. Dependent Children Tax Credit	13.3	14.1
4. Age Tax Credit	23.3	27.3

Other Tax Credits		
1. Canada Pension Plan Contributions Tax Credit	$ 13.9	$ 15.1
2. Unemployment Insurance Premiums Tax Credit	10.8	12.0
3. Pension Income Tax Credit	4.3	4.6
4. Charitable Contributions Tax Credit	11.7	13.0
5. Medical Expenses Tax Credit	2.9	3.2
6. Tuition and Education Tax Credits	4.7	5.3
Provincial Tax Measures		
1. Saskatchewan Tax Reduction		
- $200 Sales Tax Reduction	$ 30.4	$ 30.9
- $300 Spousal Tax Reduction	6.2	6.3
- $200 per Dependent Child Tax Reduction*	13.3	15.3
- $200 per Senior Citizen Reduction	4.7	5.0
* $250 per dependent child, effective July 1, 1992		
2. Labour-sponsored Venture Capital Tax Credit	1.6	2.0
Corporation Income Tax		
1. Lower tax rate for small business	$ 11.4	$ 17.3
2. Tax holiday for new small business corporations	1.5	1.5
3. Saskatchewan Royalty Tax Rebate	3.5	3.5
Corporation Capital Tax		
1. General exemption of $10,000,000	$ 18.5	$ 21.3
2. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	6.6	6.7

The tax expenditure estimates were calculated using tax collection data and Statistics Canada data. An income tax simulation model was employed for the individual income tax measures.

For further information on Saskatchewan's Tax Expenditures, please contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs Branch
9th Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6722

Borrowing, Debt and Guaranteed Debt

Introduction

The 1992-93 Budget begins the process of reversing the growth of the Province's debt. It does this by significantly reducing the Province's borrowing and new guaranteed debt requirements for 1992-93 compared to 1991-92. The 1992-93 requirements of the Province are reduced by 27 per cent to an estimated $1.8 billion compared with $2.5 billion in 1991-92 due to the following:

- the Government implemented a new process whereby all borrowing and loan guarantee requests of government departments, agencies and Crown corporations were carefully reviewed and prioritized;
- only essential borrowing and new loan guarantees will be undertaken in 1992-93;
- the Government's Budget deficit has been reduced to $517 million for 1992-93 from $846 million for 1991-92;
- Crown corporation borrowing will be held to $510 million during 1992-93 compared to $1,244 million during 1991-92; and,
- guaranteed debt of the Province will increase by $111 million during 1992-93 versus $265 million during 1991-92.

In addition to reducing borrowing and loan guarantee requirements in 1992-93, the Government has centralized the borrowing and capital market activities of all government departments, agencies and Crown corporations under the Minister of Finance. The new review and centralized borrowing processes will ensure that the borrowing and loan guarantee activities of individual public sector agencies take into account the overall financial situation and priorities of the Province.

Background

Before 1982, Saskatchewan had relatively little direct debt and almost no guaranteed debt. Accordingly, Saskatchewan was not a large borrower and borrowed principally to finance self-supporting economic infrastructure in the Crown corporation sector, such as power plants and telecommunications, not to finance government deficits.

As a result of the low level of debt, very little government revenue went to pay interest. Furthermore, in 1982, Saskatchewan had the second highest credit rating among the provinces since debt was very small in relation to the size of Saskatchewan's economy and population and because most of the Province's debt was self-supporting.

Beginning in 1982-83, the Province's debt began to grow due to successive budget deficits. During the mid-1980s, the increase in the Province's debt load began to accelerate with continuing government sector deficits and the introduction of the $1.2 billion Production Loan Program for farmers.

During this period, sizeable new commitments of direct and guaranteed debt for economic development projects were also undertaken. These commitments were made primarily through Crown Investments Corporation of Saskatchewan (CIC), the holding company for the Province's investments in the Crown corporation sector. CIC debt rose sharply between 1986 and 1991 due to the assumption of much of the debt of privatized Crown corporations, such as the Potash Corporation of Saskatchewan and the Saskatchewan Mining Development Corporation. CIC also incurred debt for projects such as NewGrade Energy Inc., Saskferco Products Inc. and Millar Western Pulp (Meadow Lake) Ltd. To date, revenue from the Province's investments in these projects has been far less than the interest cost of financing them.

Debt incurred for the purposes of CIC became an increasingly important contributor to the rapid deterioration of the Province's financial position. By 1991-92, losses on the Province's investments had caused CIC's financial health to deteriorate to the point where it was no longer able to pay a dividend to the Consolidated Fund, despite profits in SaskPower, Saskatchewan Government Insurance, SaskEnergy and SaskTel.

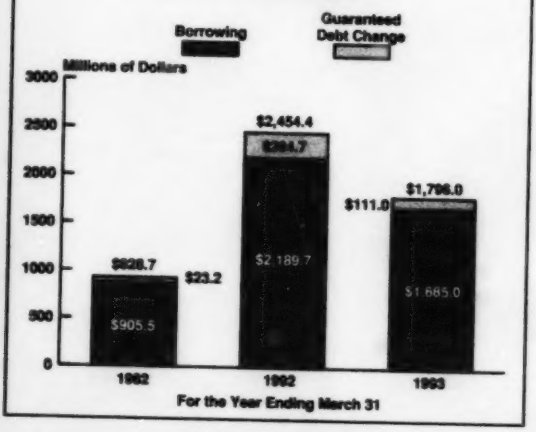
In addition to the growth in gross debt, the guaranteed debt of the Province increased significantly over the last ten years due primarily to government assistance for the financing of major economic development projects. This included loan guarantees for Saskferco Products Inc., Weyerhaeuser Canada Ltd., NewGrade

Energy Inc. and Haro Financial Corporation. Also, the Province guaranteed savings bonds issued by SaskPower and SaskTel to assist in their financing activities.

Reflecting the accumulation of direct and guaranteed debt of the Province, much of which was to finance deficits and non-self-supporting investments, Saskatchewan's credit rating has been downgraded a number of times since the mid-1980s. Today, Saskatchewan has one of the lowest credit ratings among the provinces.

Borrowing and Change in Guaranteed Debt Requirements

Figure 1: **Borrowing and Change in Guaranteed Debt Requirements 1982 to 1993**



As a result of the initiatives taken in the 1992-93 Budget, the Province's borrowing and new guaranteed debt requirements are estimated to be down by $658 million compared to 1991-92 as indicated in Figure 1. This represents a sharp departure from recent trends.

The 1992-93 Budget estimates borrowing and change in guaranteed debt requirements of $1,796 million. Table 1 summarizes the borrowing and change in guaranteed debt requirements of the Province as estimated for 1992-93 compared to 1991-92.

As shown in Table 1, the 1992-93 Budget estimates an increase of $111 million in guaranteed debt of the Province. This increase is due primarily to guarantees for Haro Financial Corporation (Haro) and Community Bonds. During 1992-93, Haro is expected to draw down $90 million on the Province's guarantee in addition to the $210 million which Haro had already drawn down as at March 31, 1992. During 1992-93, Community Bond guarantees are budgeted to increase by $28.4 million. This amount includes $8.4 million in Community Bond issues which received approval in 1991-92 and $20 million in guarantees for new projects.

Borrowing for the purpose of Crown corporations for 1992-93 is estimated at $510 million, of which $323.2 million is for SaskPower, $97.2 million is for CIC, $72.0 million is for the Saskatchewan Economic Development Corporation, $7.4 million is for SaskEnergy and $10.2 million is for SaskWater.

Borrowing for the purpose of Consolidated Fund operations is estimated at $1,175 million for 1992-93, of which $517.3 million is for the deficit, $316.6 million is for debt repayment and $341.1 million is for other purposes. Other

Table 1: Estimated Borrowing and Change in Guaranteed Debt Requirements by Purpose

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92
	(Thousands of Dollars)		
Borrowing Requirements			
Crown Corporations	$ 510,000	$ 1,243,888	$ 1,625,700
Consolidated Fund Operations	1,174,980	945,772	1,315,694
Total Borrowing Requirements	$ 1,684,980	$ 2,189,660	$ 2,941,394
Change in Guaranteed Debt	111,039	264,732	440,464
Total Borrowing and Change in Guaranteed Debt Requirements	$ 1,796,019	$ 2,454,392	$ 3,381,858

purposes include advances to the Gross Revenue Insurance Program to fund temporary cash balance deficiencies, student loans and budgeted changes in own source financing.

Own source financing includes pre-funding by borrowing in the previous fiscal year (e.g., borrowing undertaken in 1990-91 for 1991-92) and funds held on behalf of government entities at year end. Monies held on behalf of government entities are temporary cash balances in excess of the entities' current operating requirements. As part of the Province's cash management, these temporary balances are pooled and used to minimize borrowing by the Province.

During 1991-92, own source financing is forecast to have increased by $440 million due to approximately $200 million in pre-funding and approximately $240 million in temporary cash balances of government entities held at year end.

The 1992-93 Budget estimates that monies held by the Consolidated Fund on behalf of government entities will decrease by $205 million. Consequently, 1992-93 borrowing requirements are estimated to increase by a like amount. There was no pre-funding undertaken for 1992-93.

Table 2 illustrates the Province's 1992-93 estimated borrowing requirements and sources. To date, funding sources for $700 million have been identified, leaving $985 million to be financed in capital markets during the remainder of 1992-93.

Saskatchewan Savings Bonds

Included in the 1992-93 Budget is the introduction of the Saskatchewan Savings Bond program. Saskatchewan Savings Bonds will be offered for sale to Saskatchewan residents in June, 1992.

The Saskatchewan Savings Bond program is being initiated by the Government to:

- provide Saskatchewan residents with a secure and attractive opportunity to invest in their Province;
- reduce capital market borrowing outside Saskatchewan by at least $150 million; and,
- lower the amount of interest paid by the Government to non-Saskatchewan residents.

Saskatchewan Savings Bonds will pay a competitive interest rate, be highly liquid and will be offered in low denominations. As a result, the Bonds will appeal to a very broad cross section of Saskatchewan residents.

Gross and Guaranteed Debt

As indicated in Figure 2, the 1992-93 Budget estimates that the gross and guaranteed debt of the Province, net of sinking funds of $498 million, will be about $15 billion at March 31, 1993 compared to $14.3 billion at March 31, 1992. Gross debt, net of sinking funds, is estimated to total $13.4 billion at March 31, 1993 or $611 million higher than at March 31, 1992. Guaranteed debt is estimated to increase by $111 million during 1992-93 and will total $1.6 billion at March 31, 1993.

Table 2: 1992-93 Estimated Borrowing Requirements and Sources

		(Thousands of Dollars)
1992-93 Estimated Borrowing Requirements		$ 1,684,980
Less:	Capital Market Borrowing to Date, in 1992-93	450,000
	Canada Pension Plan Investment Fund	100,000
	Saskatchewan Savings Bonds	150,000
1992-93 Estimated Remaining Capital Market Borrowing		$ 984,980

Figure 2: **Gross and Guaranteed Debt of the Province 1982 to 1993**

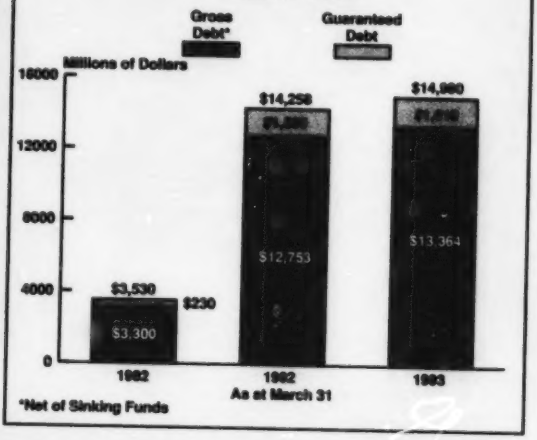


Table 3 summarizes the estimated debt of the Province at March 31, 1993 compared to March 31, 1992.

As shown in Table 4 below, the Province has had and continues to have a relatively cautious approach to foreign exchange rate risk. At March 31, 1992, 91 per cent of the Province's gross debt was issued in, or had been hedged into, Canadian dollars (the remaining 9 per cent was denominated in United States dollars).

Table 5 illustrates the composition of the gross debt of the Province from 1990 to 1993 by term to maturity. There has been a clear downward trend in the proportion of short term debt. At March 31, 1990, 27.5 per cent of the Province's gross debt was short term compared to 6.4 per cent at March 31, 1992.

Table 6 illustrates the composition of the estimated gross debt of the Province by purpose at March 31, 1993 compared to March 31, 1992. At March 31, 1993, 41.4 per cent of the estimated gross debt is for the purpose of Crown corporations and 58.6 per cent is for the purpose of Consolidated Fund operations. At March 31, 1992, debt for the purpose of Crown corporations is forecast at 45.0 per cent and

Table 3: Summary of Debt (As at March 31)

	Estimated 1993	Forecast 1992	Estimated 1992
		(Thousands of Dollars)	
Gross Debt	$ 13,862,089	$ 13,214,982	$ 13,832,769
Less: Sinking Funds	498,050	462,041	450,185
Gross Debt Less Sinking Funds	$ 13,364,039	$ 12,752,941	$ 13,382,584
Plus: Guaranteed Debt	1,615,607	1,504,568	1,680,300
Gross Debt Less Sinking Funds Plus Guaranteed Debt	$ 14,979,646	$ 14,257,509	$ 15,062,884

Table 4: Composition of Gross Debt by Currency Liability (As at March 31)

	Estimated 1993	Forecast 1992	Actual 1991	Actual 1990
		(Thousands of Dollars)		
Canadian Dollars	$ 12,845,212	$ 12,023,841	$ 10,691,551	$ 11,423,827
Foreign Currencies	1,016,877	1,191,141	1,758,872	772,210
Gross Debt	$ 13,862,089	$ 13,214,982	$ 12,450,423	$ 12,196,037

Note: Foreign currency debt has been restated in Canadian dollars using the exchange rate in effect at March 31. The 1993 estimate assumes no change in foreign exchange rates from 1992.

Table 5: Composition of Gross Debt by Maturity (As at March 31)

	Estimated 1993	Forecast 1992	Actual 1991	Actual 1990
		(Thousands of Dollars)		
Short Term Debt				
Promissory Notes	$ 845,689	$ 845,689	$ 492,500	$ 2,703,199
Treasury Bills	---	---	550,000	650,000
Total Short Term Debt	$ 845,689	$ 845,689	$ 1,042,500	$ 3,353,199
Debentures Maturing Within One Year	737,689	937,382	1,056,265	630,115
Long Term Debt	12,278,711	11,431,911	10,351,658	8,212,723
Gross Debt	$13,862,089	$13,214,982	$12,450,423	$12,196,037

Table 6: Composition of Gross Debt by Purpose (As at March 31)

	Estimated 1993	Forecast 1992	Estimated 1992
		(Thousands of Dollars)	
Crown Corporations	$ 5,742,873	$ 5,953,616	$ 7,862,895
Consolidated Fund Operations	8,119,216	7,261,366	5,969,874
Gross Debt	$ 13,862,089	$ 13,214,982	$ 13,832,769

debt for the purpose of Consolidated Fund operations is forecast at 55.0 per cent.

During 1992-93, debt for the purpose of Crown corporations is estimated to decrease by $211 million due to $510 million of borrowing offset by $721 million of debt repayments. Debt for the purpose of Consolidated Fund operations is estimated to increase by $858 million due to $1,175 million in borrowing offset by $317 million in debt repayments.

The Saskatchewan Heritage Fund will be combined with the Consolidated Fund in 1992-93. Consequently, the Consolidated Fund will become responsible for $184 million in Heritage Fund debt associated with the Province's investment in agricultural lands. In Table 6, 1991-92 figures have been restated to account for this transfer.

The Government has initiated a number of measures to improve public accountability and the financial viability of the Crown corporation sector. These measures involve the transferring of non-self-supporting Crown corporation debt to the Consolidated Fund in the 1991-92 fiscal year.

Effective March 31, 1992:

- As part of the financial restructuring package designed to improve the financial health of CIC, $875 million of its debt will be transferred to the Consolidated Fund. This transfer is necessary because CIC does not have corresponding investments that will generate returns to pay the interest and repay the principal of this debt.
- $184 million of SaskWater debt, associated with the Rafferty/Alameda project and certain irrigation projects, has been assumed by the Consolidated Fund.

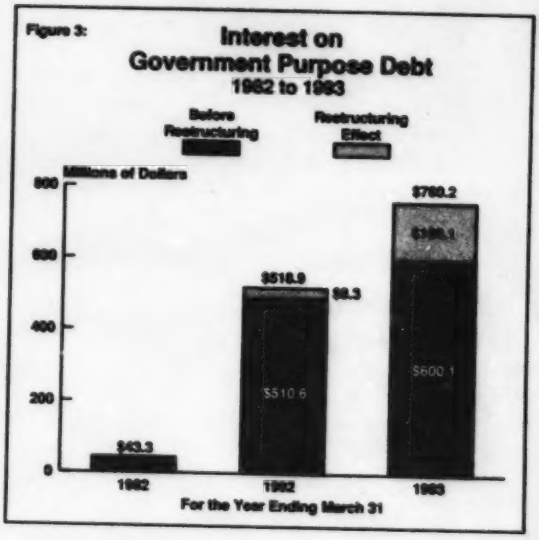
- $715 million of Saskatchewan Property Management Corporation debt has been transferred to the Consolidated Fund. This debt was incurred over the last several years to finance capital projects. Since the repayment of this debt depends on grants from the Government, it is appropriate to account for the liability as a debt of the Consolidated Fund.

These measures address past concerns of the Provincial Auditor and the recommendations of the Saskatchewan Financial Management Review Commission. They restructure the Province's debt (i.e., change the composition) but do not change the level of the debt. In other words, the Consolidated Fund will become responsible for servicing and repaying principal on $1.8 billion of debt effective March 31, 1992 which was previously reported as the responsibility of Crown corporations.

Interest Costs on Government Purpose Debt

As shown in Figure 3, debt servicing costs incurred for government purposes (i.e., Consolidated Fund operations) are estimated at $760 million for 1992-93 compared to $519 million for 1991-92. Associated with the debt restructuring, $8.3 million of Crown corporation interest costs were transferred to the Consolidated Fund at March 31, 1992. Similarly, in 1992-93, $160 million of Crown corporation and Heritage Fund interest costs will be transferred to the Consolidated Fund.

Figure 3:



Estimated 1992-93 interest charges associated with debt transferred from Crown corporations and the Heritage Fund are indicated in Table 7.

Conclusion

During the 1992-93 Budget process, the Government implemented a new debt management strategy. It consists of an integrated approach to evaluating and allocating the demands for credit in relation to the Province's credit capacity.

A new process was introduced requiring centralized approval and co-ordination of all government and Crown corporation borrowing

Table 7: 1992-93 Estimated Interest Costs Associated with Debt Restructuring

	Debt Transferred to Consolidated Fund	Estimated Interest Cost
	(Thousands of Dollars)	
Crown Investments Corporation of Saskatchewan	$ 875,000	$ 54,254 *
Saskatchewan Heritage Fund	184,436	19,928
Saskatchewan Property Management Corporation	715,018	70,469
SaskWater	183,711	15,399
Total	$ 1,958,165	$ 160,050

* Total interest charges associated with the $875 million of CIC debt are estimated at $90.4 million in 1992-93. Accrued interest to the date of transfer (i.e. March 31, 1992) of $36.1 million will be paid to the Consolidated Fund by CIC, resulting in a net cost to the Consolidated Fund in 1992-93 of $54.3 million.

and new loan guarantees. This will ensure that scarce capital will be allocated to the highest priorities. To complement and strengthen this review and control process, the Government has directed that the Minister of Finance will be responsible for all borrowing and capital market activities in both the Crown corporation and government sectors.

The Government is committed to reducing the burden of the Province's debt on Saskatchewan people. In addition to reducing borrowing and new guaranteed debt requirements, the Government will review the present debt retirement policy with a view to setting aside more money each year in debt retirement funds. This would ensure that as the debt matures, funds will be available to partially or fully offset the debt as it comes due. Over time, implementation of this initiative would significantly reduce both the Province's annual borrowing requirements and the actual size of the Province's debt.

Requiring appropriate contributions to debt retirement funds makes the priority objective of debt reduction explicit in the borrowing process. It would no longer be assumed that debt incurred will continue to be simply refinanced or "rolled over", rather than partially or fully retired at maturity.

Through centralized co-ordination and control of the use of the Province's credit, review and implementation of a new debt retirement policy and reductions in the Province's deficit and borrowing requirements, the 1992-93 Budget begins the process which will reverse the growth of non-self-supporting debt. In the future, this will ensure a reduction in the Province's debt and its burden on Saskatchewan people.

1992 Interprovincial Comparison Personal Taxes and Charges

The following tables show the personal taxes and charges that two representative families would pay in each province across Canada.

The first table represents a family consisting of two adults and two dependent children at a total income level of $45,000. The income of the family is assumed to be earned by both spouses, with one earning 60 per cent of the total and the other earning 40 per cent.

The second table represents a family consisting of a single parent and two dependent children at a total income level of $25,000.

These tables show that, despite necessary increases in personal income and consumption taxes for 1992-93, Saskatchewan maintains a favourable standing in relation to other provinces for combined taxes and charges.

For the two-parent family at $45,000 total income, combined taxes and charges are third lowest among all provinces. For the single parent family at $25,000 total income, combined taxes and charges are also third lowest among all provinces.

Saskatchewan's Education and Health (E&H) Tax, despite an increase of one percentage point, protects consumers by continuing to exempt many family essentials such as groceries, home heating fuel, residential electricity, reading materials, children's clothing and most adult clothing.

Saskatchewan's favourable standing can also be attributed to the fact that the Province continues to enjoy one of the lowest combined levels in the country for car insurance, telephone, home heating and electricity charges.

Unlike some other provinces, Saskatchewan does not rely on health care premiums or payroll taxes.

Saskatchewan's tax system continues to evolve in order to meet the difficult fiscal and financial realities of the 1990s. In its 1992-93 revenue initiatives, the Government is applying the principles of fairness, equity and simplicity.

The Government of Saskatchewan will continue to take decisive action to ensure that our tax system:

- permits a fair application of tax;
- results in a favourable standing in comparison to the taxes and charges of other provinces across Canada; and,
- prepares Saskatchewan for the fiscal challenges of the future.

For further information on interprovincial comparisons of taxes and charges contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs Branch
9th Floor
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: (306) 787-6722

PERSONAL TAXES AND CHARGES: Family at $45,000 Total Income

	British Columbia	Alberta	Sask-atchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfound-land
Provincial Income Tax	$ 2,300	$ 2,152	$ 3,357	$ 2,620	$ 2,411	$ 2,127	$ 2,654	$ 2,632	$ 2,632	$ 2,853
Tax Credits and Rebates	0	0	0	(10)	0	0	0	0	0	0
Health Premiums	840	648	0	0	0	0	0	0	0	0
Retail Sales Tax	564	0	655	902	983	1,194	1,075	995	931	1,474
Gasoline Tax	200	180	240	210	294	290	214	246	232	274
Total Taxes	$ 3,904	$ 2,980	$ 4,252	$ 3,722	$ 3,688	$ 3,611	$ 3,943	$ 3,873	$ 3,795	$ 4,601
Car Insurance	$ 1,046	$ 852	$ 651	$ 667	$ 1,399	$ 1,083	$ 783	$ 954	$ 582	$ 1,036
Telephone	230	183	204	187	227	214	193	232	208	187
Home Heating	757	586	680	861	887	1,351	1,546	1,481	1,485	1,620
Electricity	558	595	667	493	802	513	652	765	975	763
Total Charges	$ 2,591	$ 2,196	$ 2,222	$ 2,208	$ 3,315	$ 3,161	$ 3,174	$ 3,432	$ 3,250	$ 3,606
Total	$ 6,495	$ 5,176	$ 6,474	$ 5,930	$ 7,003	$ 6,772	$ 7,117	$ 7,305	$ 7,045	$ 8,207

PERSONAL TAXES AND CHARGES: Single Parent at $25,000 Total Income

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Provincial Income Tax	$ 753	$ 734	$ 881	$ 583	$ 0	$ (136)	$ 869	$ 862	$ 862	$ 934
Tax Credits and Rebates	0	0	0	(185)	0	(118)	0	0	0	0
Health Premiums	840	648	0	0	0	0	0	0	0	0
Retail Sales Tax	432	0	499	676	768	944	809	758	724	1,140
Gasoline Tax	200	180	240	210	294	290	214	246	232	274
Total Taxes	$ 2,225	$ 1,562	$ 1,620	$ 1,284	$ 1,062	$ 980	$ 1,892	$ 1,866	$ 1,818	$ 2,348
Car Insurance	$ 1,046	$ 852	$ 651	$ 667	$ 1,399	$ 1,083	$ 783	$ 954	$ 582	$ 1,036
Telephone	230	183	204	187	227	214	193	232	208	187
Home Heating	757	566	690	861	887	1,351	1,546	1,481	1,485	1,620
Electricity	558	595	687	493	802	513	652	765	975	763
Total Charges	$ 2,591	$ 2,196	$ 2,222	$ 2,208	$ 3,315	$ 3,161	$ 3,174	$ 3,432	$ 3,250	$ 3,606
Total	$ 4,816	$ 3,758	$ 3,842	$ 3,492	$ 4,377	$ 4,141	$ 5,066	$ 5,298	$ 5,068	$ 5,954

Notes:

Provincial Income Tax for each province is calculated using known changes for 1992. The tables are based upon a taxpayer claiming two children (one child aged 6 or under and one child aged 12-15). Total income includes earned income and family allowance payments in each province. Personal tax credits (including CPP/QPP and UI contributions) and $3,000 in child care expenses are deducted in computing tax. Gross Quebec Personal Income Tax has been reduced by an abatement of 16.5% of Basic Federal Tax, granted by the federal government in respect of contracting out by Quebec of certain federal-provincial programs. Provision is made in the calculations for provincial tax reductions where applicable.

Tax Credits and Rebates refers to refundable provincial income tax credits and rebates designed to reduce the burden of retail sales tax and/or provincial income tax.

Health Premiums are annual family premiums for hospital insurance and medical services. No provision is made for employer subsidization of these premiums in those provinces which levy them.

Retail Sales Tax is based upon average expenditures at the identified gross family income levels from the **Survey of Family Expenditures in 1986** (Statistics Canada micro data file). The expenditures have been adjusted to reflect Saskatchewan consumption patterns. The sales tax base in each province was identified from the various provincial Acts. On this basis, provincial retail sales taxes were estimated based on taxable family expenditures in each province.

Gasoline Tax is based on an annual consumption of 2,000 litres of unleaded gasoline.

The following cities were surveyed for the remaining charges: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, Halifax, Charlottetown and St. John's. All rates are as at March 1, 1992, unless otherwise indicated. Charges include the federal Goods and Services Tax (GST), where applicable.

Car Insurance is based on the premium rate for a male over 30 years of age, driving a 1987 Chevrolet Caprice. Coverage includes $1,000,000 third party liability, $250 deductible collision (British Columbia $200) and $50 deductible comprehensive (Manitoba $250).

Telephone Charges are for the main telephone in an individual residence. Rates include applicable municipal taxes and surcharges.

Home Heating charges are based on an annual consumption level of 150 mcf of natural gas. For the Atlantic Provinces, the figures represent the BTU equivalent consumption of fuel oil. Rates include applicable municipal taxes and surcharges.

Electricity charges are based on an annual consumption level of 8,100 kWh. Rates include applicable municipal taxes and surcharges.

1992-93 Budget Detail

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Consolidated Fund
Statement of Financing and Changes in Financial Position

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92[1]
Revenue and Expenditure			
Expenditure	$ 5,008,800	$ 4,904,088	$ 4,903,952
Revenue	4,491,500	4,058,300	4,052,300
Deficit	$ 517,300	$ 845,788	$ 851,652
Non-Cash Amortization of Foreign Exchange Gain	$ 12,300	$ 12,365	$ 12,937
Cash Required	$ 529,600	$ 858,153	$ 864,589
Loan, Investment and Deposit Activity			
Disbursements	$ 998,397	$ 1,705,162	$ 2,014,591
Receipts	880,890	1,395,260	938,079
Cash used for Loans, Investment and Deposits	$ 117,507	$ 309,902	$ 1,076,512
Net Cash Required	$ 647,107	$ 1,168,055	$ 1,941,101
Financing			
Public Borrowing:			
Proceeds from Debt	$ 1,684,980	$ 2,189,660	$ 2,941,394
Repayment of Debt	1,037,873	1,393,065	1,196,042
Net Proceeds from Public Borrowing	$ 647,107	$ 796,595	$ 1,745,352
(Increase) Decrease in Current Assets	$ ---	$ 371,460	$ 195,749
Total Financing	$ 647,107	$ 1,168,055	$ 1,941,101

[1] Estimated 1991-92 repayment of debt has been restated from the Financial Report representation to eliminate a forecasted reduction of short term debt of $274.0 million. This presentation is consistent with the 1992-93 Estimates.

Consolidated Fund
Statement of Revenue, Expenditure and Deficit

	(Thousands of Dollars)		
	Estimated 1992-93	**Forecast 1991-92**	**Estimated 1991-92**
Revenue	**$ 4,491,500**	$ 4,058,300	$ 4,052,300
Program Expenditure	**4,048,582**	4,121,676	4,102,187
Program Surplus (Deficit)	**$ 442,918**	$ (63,376)	$ (49,887)
Capital Expenditure	**$ 199,978**	$ 263,527	$ 278,801
Operating Surplus (Deficit)	**$ 242,940**	$ (326,903)	$ (328,688)
Servicing the Public Debt	**$ 760,240**	$ 518,885	$ 522,964
Surplus (Deficit)	**$ (517,300)**	$ (845,788)	$ (851,652)

Consolidated Fund
Statement of 1992-93 Program and Capital Expenditure

	(Thousands of Dollars)		
	Program	**Capital**	**Total**
Agriculture and Food	$ 265,279	$ ---	$ 265,279
Community Services	146,910	280	147,190
Crown Investments Corporation of Saskatchewan	39,000	---	39,000
Economic Development	31,778	---	31,778
Education	852,163	68,060	920,223
Energy and Mines	13,225	---	13,225
Environment and Public Safety	10,763	---	10,763
Executive Council	7,695	---	7,695
Executive Council - Electoral Expenses	897	---	897
Finance	144,028	---	144,028
Health	1,507,694	33,932	1,541,626
Highways and Transportation	113,447	65,940	179,387
Indian and Metis Affairs Secretariat	4,230	---	4,230
Justice	173,290	---	173,290
Labour	11,943	---	11,943
Legislation	15,318	---	15,318
Natural Resources	75,269	990	76,259
New Careers Corporation	9,275	---	9,275
Provincial Auditor	3,815	---	3,815
Public Service Commission	9,152	---	9,152
Rural Development	35,814	23,560	59,374
Saskatchewan Crop Insurance Corporation	108,142	505	108,647
Saskatchewan Municipal Board	882	---	882
Saskatchewan Property Management Corporation	11,416	---	11,416
Saskatchewan Research Council	6,475	---	6,475
Saskatchewan Water Corporation	2,930	6,711	9,641
Seniors' Secretariat	37,678	---	37,678
Social Services	409,287	---	409,287
Women's Secretariat	787	---	787
Total Operating Expenditure	$ 4,048,582	$ 199,978	$ 4,248,560
Finance - Servicing the Public Debt - Government Share			$ 760,240
Total Expenditure			$ 5,008,800

Consolidated Fund
Statement of Revenue

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92[1]	Estimated 1991-92[1]
Taxes			
Corporation Capital	$ 150,600	$ 117,500	$ 119,000
Corporation Income	92,500	75,500	64,000
Fuel	321,600	223,300	223,300
Individual Income	1,140,100	1,022,600	975,100
Sales	610,800	570,700	564,100
Tobacco	115,000	101,500	101,500
Other	38,900	36,000	35,500
Total Taxes	$ 2,469,500	$ 2,147,100	$ 2,082,500
Transfers from the Government of Canada			
Canada Assistance Plan	$ 182,500	$ 176,000	$ 163,800
Equalization Payments	600,000	620,300	590,000
Established Programs Financing	429,600	370,500	372,000
Other	67,300	91,200	94,700
Total Transfers from the Government of Canada	$ 1,279,400	$ 1,258,000	$ 1,220,500
Non-Renewable Resources			
Coal	$ 15,400	$ 13,600	$ 14,400
Natural Gas	40,000	43,100	53,900
Oil	212,800	193,100	217,200
Potash	61,000	50,300	57,500
Uranium	18,600	13,800	17,500
Other	1,900	2,600	2,500
Total Non-Renewable Resources	$ 349,700	$ 316,500	$ 363,000
Transfers from Crown Entities			
Saskatchewan Liquor Board	$ 150,000	$ 100,000	$ 150,000
Other	9,400	19,600	18,200
Total Transfers from Crown Entities	$ 159,400	$ 119,600	$ 168,200
Other Revenue			
Agricultural Land	$ 22,200	$ 16,800	$ 15,000
Fines, Forfeits and Penalties	9,900	9,000	9,500
Interest, Premium, Discount and Exchange	20,500	19,500	16,400
Lands, Forests, Game, Fur and Fisheries	15,100	12,500	17,400
Motor Vehicles	77,300	77,200	78,000
Other Licences and Permits	14,000	9,900	9,900
Sales, Services and Service Fees	43,600	41,100	43,000
Transfers from Other Governments	8,400	9,000	8,800
Other	22,500	22,100	20,100
Total Other Revenue	$ 233,500	$ 217,100	$ 218,100
Total Revenue	$ 4,491,500	$ 4,058,300	$ 4,052,300

[1] 1991-92 Revenue has been restated for interest related to student loans which reduces both revenue and expenditure.

Consolidated Fund
Statement of Expenditure

	(Thousands of Dollars)		
	Estimated 1992-93	**Forecast 1991-92[1]**	**Estimated 1991-92[1]**
Agriculture and Food	$ 265,279	$ 331,841	$ 312,168
Community Services	147,190	212,051	191,371
Crown Investments Corporation of Saskatchewan	39,000	- - -	- - -
Economic Development	31,778	30,615	33,135
Education	920,223	911,910	916,101
Energy and Mines	13,225	12,833	13,140
Environment and Public Safety	10,763	10,587	10,653
Executive Council	7,695	7,974	7,874
Executive Council - Electoral Expenses	897	6,600	6,800
Finance	144,028	158,684	163,848
Finance - Servicing the Public Debt - Government Share	760,240	518,885	522,964
Health	1,541,626	1,587,413	1,594,007
Highways and Transportation	179,387	198,383	207,157
Indian and Metis Affairs Secretariat	4,230	4,049	4,292
Justice	173,290	166,676	166,900
Labour	11,943	11,427	11,927
Legislation	15,318	13,665	14,745
Natural Resources	76,259	84,040	83,998
New Careers Corporation	9,275	10,934	11,342
Provincial Auditor	3,815	3,615	3,615
Public Service Commission	9,152	9,424	9,425
Rural Development	59,374	67,476	68,407
Saskatchewan Crop Insurance Corporation	108,647	87,451	92,733
Saskatchewan Municipal Board	882	882	882
Saskatchewan Property Management Corporation	11,416	6,036	6,336
Saskatchewan Research Council	6,475	7,737	7,737
Saskatchewan Water Corporation	9,641	9,171	9,171
Seniors' Secretariat	37,678	48,469	49,144
Social Services	409,287	384,568	383,351
Women's Secretariat	787	692	729
Total Expenditure	$ 5,008,800	$ 4,904,088	$ 4,903,952

[1] 1991-92 Expenditure has been restated for interest related to student loans which reduces both revenue and expenditure.

Consolidated Fund
Statement of Loan, Investment and Deposit Activity
Receipts

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92
Loan Repayments - Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	$ 50,000	$ ---	$ ---
Crown Investments Corporation of Saskatchewan	458,197	430,195	420,135
Municipal Financing Corporation of Saskatchewan	---	26,710	26,710
Saskatchewan Crop Insurance Corporation	---	---	---
Saskatchewan Economic Development Corporation	---	5,000	5,000
Saskatchewan Power Corporation	174,264	174,195	173,805
Saskatchewan Property Management Corporation	---	71,433	71,433
Saskatchewan Telecommunications	15,093	69,061	69,061
Saskatchewan Water Corporation	---	657	657
SaskEnergy	23,189	30,063	30,063
	$ 720,743	$ 807,314	$ 796,864
Loan Repayments - Other			
Gross Revenue Insurance Program	$ ---	$ 41,306	$ ---
Economic Development	---	2,360	---
Education - Student Assistance Loans	22,000	21,830	---
Federal/Municipal	500	652	500
University of Saskatchewan	10	10	10
Other Receipts	---	7,889	---
	$ 22,510	$ 74,047	$ 510
Total Loan Receipts	$ 743,253	$ 881,361	$ 797,374
Investments			
Agricultural Land	$ ---	$ 1,061	$ 3,015
Other	---	45	---
Total Investment Receipts	$ ---	$ 1,106	$ 3,015
Deposits			
Crown Entities and Others	$ 120,000	$ 494,919	$ 120,000
Sinking Fund	17,637	17,874	17,690
Total Deposit Receipts	$ 137,637	$ 512,793	$ 137,690
Total Receipts	$ 880,890	$ 1,395,260	$ 938,079

Consolidated Fund
Statement of Loan, Investment and Deposit Activity
Disbursements

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92[1]
Loans - Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	$ ---	$ ---	$ 50,000
Crown Investments Corporation of Saskatchewan	97,200	870,000	900,900
Municipal Financing Corporation of Saskatchewan	---	23,888	50,600
Saskatchewan Economic Development Corporation	72,000	---	---
Saskatchewan Power Corporation	323,200	150,000	363,000
Saskatchewan Property Management Corporation	---	100,000	117,600
Saskatchewan Water Corporation	10,200	10,000	74,500
SaskEnergy	7,400	100,000	69,100
	$ 510,000	$ 1,253,888	$ 1,625,700
Loans - Other			
Gross Revenue Insurance Program	$ 76,000	$ 41,306	$ 50,400
Community Services - Loans to Municipalities	---	730	731
Economic Development	5,963	5,725	4,990
Education - Student Assistance Loans	45,000	41,000	45,000
Saskatchewan Gaming Commission	7,000	---	---
Other	---	1,389	---
	$ 133,963	$ 90,150	$ 101,121
Total Loan Disbursements	$ 643,963	$ 1,344,038	$ 1,726,821
Investments			
Crown Investments Corporation of Saskatchewan	$ ---	$ 99,142	$ 113,170
Agricultural Land	250	238	800
Other	---	9,210	---
Total Investment Disbursements	$ 250	$ 108,590	$ 113,970
Deposits			
Crown Entities	$ 325,000	$ 227,988	$ 150,000
Sinking Funds	29,184	24,546	23,800
Total Deposit Disbursements	$ 354,184	$ 252,534	$ 173,800
Total Disbursements	$ 998,397	$ 1,705,162	$ 2,014,591
Excess of Receipts over Disbursements	$ (117,507)	$ (309,902)	$(1,076,512)

[1] 1991-92 Loans represent the long-term activity and do not compare to the 1991-92 Financial Report.

Consolidated Fund
Statement of Financial Position
As at March 31

	(Thousands of Dollars)		
	Estimated 1993	**Forecast 1992**	**Estimated 1992**
Assets			
Current Assets	**$ 249,498**	$ 249,498	$ 275,527
Loans to Crown Corporations	**4,475,338**	4,707,412	7,251,044
Loans - Other	**267,396**	155,943	244,578
Investment in the Crown Investments Corporation	**2,031,399**	2,031,399	1,170,427
Investment in Agricultural Land	**130,507**	130,257	134,129
Investments - Other	**5,229**	5,229	1,074
Total Assets	**$ 7,159,367**	$ 7,279,738	$ 9,076,779
Liabilities and Accumulated Deficit			
Debt for Crown Corporations	**$ 5,742,873**	$ 5,953,616	$ 7,862,895
Debt for Consolidated Fund Operations	**8,119,216**	7,261,366	5,969,874
Gross Debt	**$13,862,089**	$13,214,982	$13,832,769
Less: Total Equity in Sinking Funds	**$ 498,050**	$ 462,041	$ 450,185
Gross Debt Less Sinking Funds	**$13,364,039**	$12,752,941	$13,382,584
Funds Held on Behalf of Crown Entities and Others	**$ 236,683**	$ 441,683	$ 144,752
Total Liabilities	**$13,600,722**	$13,194,624	$13,527,336
Deferred Foreign Exchange Gain	**$ 58,693**	$ 70,993	$ 87,011
Accumulated Deficit	**(6,500,048)**	(5,985,879)	(4,537,568)
Total Liabilities and Accumulated Deficit	**$ 7,159,367**	$ 7,279,738	$ 9,076,779

Consolidated Fund
Statement of Accumulated Deficit and Reserves
As at March 31

	(Thousands of Dollars)		
	Estimated 1993	**Forecast 1992**	**Estimated 1992**
Accumulated Deficit, Beginning of Year			
Before Reserves	**$ 6,068,725**	$ 3,763,615	$ 3,763,615
Energy Security Reserve	**(70,906)**	(64,978)	(64,978)
Environmental Protection Reserve	**(11,940)**	(10,932)	(10,932)
Accumulated Deficit, Beginning of Year	**$ 5,985,879**	$ 3,687,705	$ 3,687,705
Deficit for the Year	**$ 517,300**	$ 845,788	$ 851,652
Sinking Fund Earnings Retained in Sinking Funds	**(3,131)**	(2,075)	(1,390)
Write off of Loans and Investments	**- - -**	1,453,172	- - -
Other Adjustments	**- - -**	1,289	(399)
Accumulated Deficit, End of Year	**$ 6,500,048**	$ 5,985,879	$ 4,537,568

Consolidated Fund
Borrowing Requirements by Purpose

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92
Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	$ ---	$ ---	$ 50,000
Crown Investments Corporation of Saskatchewan	97,200	870,000	900,900
Municipal Financing Corporation of Saskatchewan	---	23,888	50,600
Saskatchewan Economic Development Corporation	72,000	---	---
Saskatchewan Power Corporation	323,200	150,000	363,000
Saskatchewan Property Management Corporation	---	100,000	117,600
Saskatchewan Water Corporation	10,200	---	74,500
SaskEnergy	7,400	100,000	69,100
Total Crown Corporations	$ 510,000	$ 1,243,888	$ 1,625,700
Consolidated Fund Operations			
Deficit for the Year	$ 517,300	$ 845,788	$ 851,652
Debt Repayment	316,620	398,668	398,668
Gross Revenue Insurance Program	76,000	---	50,400
Community Services - Loans to Municipalities	---	730	731
Economic Development	5,963	3,365	4,990
Education - Student Assistance Loans	23,000	19,170	45,000
Investment in Agricultural Land	250	238	800
Investment in Crown Corporations	---	99,142	113,170
Non-Cash Amortization of Foreign Exchange Gain	12,300	12,365	12,937
Saskatchewan Gaming Commission	7,000	---	---
Sinking Fund Payments	11,547	6,672	6,110
Decrease (Increase) in Own Source Financing[1]	205,000	(440,366)	(168,764)
Total Consolidated Fund Operations	$ 1,174,980	$ 945,772	$ 1,315,094
Total Borrowing Requirements	$ 1,684,980	$ 2,189,660	$ 2,941,394

[1] Own source financing can be either funds held on behalf of government entities or cash held by the Consolidated Fund at the beginning of the fiscal year due to pre-borrowing in the previous fiscal year. A decrease in own source financing such as estimated for 1992-93 will result in increased borrowing requirements. An increase in own source financing as indicated for 1991-92 will result in lower borrowing requirements.

Consolidated Fund
Statement of Debt
As at March 31

	(Thousands of Dollars)		
	Estimated 1993	Forecast 1992	Estimated 1992
Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	$ 603,000	$ 653,000	$ 680,454
Crown Investments Corporation of Saskatchewan [1,2]	877,866	1,238,863	2,154,823
Municipal Financing Corporation of Saskatchewan	92,903	92,903	106,379
Saskatchewan Crop Insurance Corporation	181,461	181,461	198,613
Saskatchewan Economic Development Corporation	176,334	104,334	87,803
Saskatchewan Housing Corporation	317,304	317,304	317,304
Saskatchewan Power Corporation	2,084,633	1,935,697	2,009,289
Saskatchewan Property Management Corporation [2]	- - -	- - -	736,220
Saskatchewan Telecommunications	766,696	781,789	768,416
Saskatchewan Water Corporation [2]	22,061	11,861	198,090
SaskEnergy [1]	620,615	636,404	605,504
Total Crown Corporations	$ 5,742,873	$ 5,953,616	$ 7,862,895
Consolidated Fund Operations [2]	$ 8,119,216	$ 7,261,366	$ 5,969,874
Gross Debt	$13,862,089	$13,214,982	$13,832,769
Less: Equity in Sinking Funds			
Crown Corporations	$ 454,358	$ 433,027	$ 425,570
Consolidated Fund Operations	43,692	29,014	24,615
Total Equity in Sinking Funds	$ 498,050	$ 462,041	$ 450,185
Gross Debt Less Sinking Funds	$13,364,039	$12,752,941	$13,382,584
Guaranteed Debt			
Crown Corporations	$ 535,983	$ 551,038	$ 573,294
Other	1,079,624	953,530	1,107,006
Total Guaranteed Debt	$ 1,615,607	$ 1,504,568	$ 1,680,300
Gross Debt Less Sinking Funds Plus Guaranteed Debt	$14,979,646	$14,257,509	$15,[illegible],884

[1] Beginning in 1992-93 debt incurred for SaskEnergy is shown separately. Prior to 1992-93 SaskEnergy debt was included in Crown Investments Corporation of Saskatchewan (CIC). 1991-92 has been restated to conform with 1992-93 presentation. During 1992-93, it is anticipated that $226.4 million of SaskEnergy debt is to be transferred to Saskatchewan Power Corporation. 1991-92 has been restated to reflect this change.

[2] Effective March 31, 1992 debt was transferred to the Consolidated Fund from CIC ($875.0 million), Saskatchewan Property Management Corporation ($715.0 million) and Saskatchewan Water Corporation ($183.7 million). Also, during 1992-93 former Saskatchewan Heritage Fund debt ($184.4 million) will be assumed by the Consolidated Fund. 1991-92 has been restated to reflect this change.

Consolidated Fund
Change in Guaranteed Debt by Purpose

(Thousands of Dollars)

	Estimated 1992-93	Forecast 1991-92	Estimated 1991-92
Crown Corporations			
The Municipal Financing Corporation Act			
Guaranteed Debentures	$ (6,000)	$ (7,000)	$ (1,000)
CIC Mineral Interest Corporation (formerly Potash Corporation of Saskatchewan)			
Royal Trust, London Life Lease	(2,464)	(2,259)	(1,099)
T.D., Mutual Life, London Life Lease	(2,774)	(2,461)	(1,194)
Royal Trust Lease	(1,714)	(1,515)	(734)
The Power Corporation Act			
I.A.C. Limited - Dragline Lease	(993)	(918)	(450)
Manalta Coal	(957)	(1,089)	(739)
Saskatchewan Power Savings Bonds			
Series I to Series V-E (matured)	---	(125,289)	(118,177)
Series VI	---	(3,243)	(1,966)
Series VII	---	170,233	173,224
The Saskatchewan Development Fund Act			
Guaranteed Investments	(153)	(249)	(179)
The Saskatchewan Telecommunications Act			
Credit Telebonds	---	(1,407)	(620)
Interest TeleBonds	---	568	561
Change in Crown Corporations Guaranteed Debt	$ (15,055)	$ 25,371	$ 47,627
Other			
The Agricultural Societies Act			
Loans to Exhibition Associations	$ (31)	$ (35)	$ ---
The Community Bond Act [1]	28,381	6,425	18,950
The Co-operatives Guarantee Act			
Saskatchewan Co-op Credit Society - Loans to Co-operatives	(80)	(173)	(53)
The Farmer's Counselling and Assistance Act	---	1,662	20,449
The Breeder Associations Loan Guarantee Program	2,000	7,481	5,731
The Feeder Associations Loan Guarantee Program	5,500	4,575	2,775
The Government Organization Act	(250)	(152)	---
The Department of Highways and Transportation Act	500	(73)	895
The Housing and Special Care Homes Act			
Senior Citizens Housing	(70)	(86)	---
The Industry and Commerce Development Act			
Haro Financial Corporation	90,000	210,000	355,000
Loans to Small Business	(1,033)	(313)	(36)
Saskferco Products Inc	---	7,207	(6,260)
The Department of Economic Development and Tourism Act	1,177	---	---
The NewGrade Energy Inc. Act			
NewGrade Energy Inc	---	2,843	(4,614)
The Pulp and Paper Mills Act			
Weyerhaeuser Canada Ltd	---	---	---
Change in Other Guaranteed Debt	$ 126,094	$ 239,361	$ 392,837
Total Change in Guaranteed Debt	$ 111,039	$ 264,732	$ 440,464

[1] At March 31, 1992, $8.4 million in Community Bond issues were approved but had not yet been guaranteed. During fiscal year 1992-93, these $8.4 million in bonds are expected to receive guarantees in addition to the $20 million in new Community Bond guarantees which have been budgeted for 1992-93.

Note: The 1991-92 Estimate and Forecast are based on March 31, 1991 Actuals. The 1992-93 Estimate is based on March 31, 1992 Forecast.

Consolidated Fund
Statement of Guaranteed Debt
As at March 31

	(Thousands of Dollars)		
	Estimated 1993	Forecast 1992	Estimated 1992
Crown Corporations			
The Municipal Financing Corporation Act			
Guaranteed Debentures	$ 20,000	$ 26,000	$ 32,000
CIC Mineral Interest Corporation (formerly Potash Corporation of Saskatchewan)			
Royal Trust, London Life Lease	22,871	25,335	26,495
T.D., Mutual Life, London Life Lease	31,300	34,074	35,341
Royal Trust Lease	21,230	22,944	23,725
The Power Corporation Act			
I.A.C. Limited - Dragline Lease	23,471	24,464	24,932
Manalta Coal	38,154	39,111	39,461
Saskatchewan Power Savings Bonds			
Series I to Series V-E (matured)	802	802	7,914
Series VI	110,165	110,165	111,442
Series VII	170,233	170,233	173,224
The Saskatchewan Development Fund Act			
Guaranteed Investments	2,880	3,033	3,103
The Saskatchewan Telecommunications Act			
Credit Telebonds	32,534	32,534	33,321
Interest TeleBonds	62,343	62,343	62,336
Total Crown Corporations	$ 535,983	$ 551,038	$ 573,294
Other			
The Agricultural Societies Act			
Loans to Exhibition Associations	$ 460	$ 491	$ 526
The Community Bond Act [1]	35,856	7,475	20,000
The Co-operatives Guarantee Act			
Saskatchewan Co-op Credit Society - Loans to Co-operatives	300	380	500
The Farmer's Counselling and Assistance Act	34,000	34,000	52,787
The Breeder Associations Loan Guarantee Program	10,500	8,500	6,750
The Feeder Associations Loan Guarantee Program	27,800	22,300	20,500
The Government Organization Act	250	500	652
The Department of Highways and Transportation Act	1,032	532	1,500
The Housing and Special Care Homes Act			
Senior Citizens Housing	870	940	1,026
The Industry and Commerce Development Act			
Haro Financial Corporation	300,000	210,000	355,000
Loans to Small Business	---	1,033	1,310
Saskferco Products Inc	274,867	274,867	261,400
The Department of Economic Development and Tourism Act	1,177	---	---
The NewGrade Energy Inc. Act			
NewGrade Energy Inc	341,263	341,263	333,806
The Pulp and Paper Mills Act			
Weyerhaeuser Canada Ltd	51,249	51,249	51,249
Total Other	$ 1,079,624	$ 953,530	$ 1,107,006
Total Guaranteed Debt	$ 1,615,607	$ 1,504,568	$ 1,680,300

[1] At March 31, 1992, $8.4 million in Community Bond issues were approved but had not yet been guaranteed. During fiscal year 1992-93, these $8.4 million in bonds are expected to receive guarantees in addition to the $20 million in new Community Bond guarantees which have been budgeted for 1992-93.